Dear Dr. Small,

We write in response to the Commerce Commission's letter of 2 September 2025 regarding the proposed hybrid model for transitioning to Open Banking APIs.

Volley is a new entrant to the alternative payments market, having recently launched our Standards-based Open Banking payment solution for both peer-to-peer and business transactions. We have built our entire platform on regulated APIs, forgoing suboptimal methods entirely in anticipation of the regulated regime. We represent exactly the type of innovative competition that Open Banking was intended to enable, which makes the proposed advantages for suboptional access providers particularly concerning for our business and others like us.

While we support the Commission's goal of facilitating widespread Open Banking adoption, we have serious concerns that the proposed hybrid model will undermine both competition and consumer protection in ways that could permanently damage New Zealand's Open Banking ecosystem. Specifically, we believe the proposal creates untenable competitive asymmetries while exposing consumers to unnecessary fraud risks through 2028.

We offer these comments constructively, including an alternative transition model that would achieve the Commission's objectives without compromising market competition or consumer safety. We appreciate the Commission's continued engagement with industry and hope our perspective assists in developing a framework that delivers on Open Banking's promise for all New Zealanders.

Competition Restrictions in the Third-Party Market

The Commission's proposed hybrid model creates significant competitive asymmetry. Existing screen-scraping services will receive significant advantages: they can use new APIs, can serve all banks (including the ~10% of customers at smaller banks without APIs), maintain full functionality including non-standard use cases, implement use cases currently not permitted by regulations or bank agreements, and benefit from a gradual transition timeline until 2028.

Meanwhile, current Standards only services face substantial limitations: they can only serve customers of the four major banks, can only use the Standards APIs, cannot use screen-scraping to reach feature parity with suboptimal providers, and cannot compete for customers requiring unsupported use cases.

This approach would significantly disadvantage the early adopters of the secure, regulated standard (of which Volley is one). It also actively discourages new entrants who wish to adopt Open Banking post-December as regulations come into effect, as they too will bear this same disadvantage for at least the next 2 years.

The Commission acknowledges this disadvantage in paragraph 76 but dismisses it as 'minor' without any supporting analysis or evidence. This determination fundamentally misunderstands network effects in payment systems, where even small functionality or coverage gaps can be decisive when businesses choose payment providers. If given the choice between a Standards-only provider covering 90% of customers (four major banks) versus a hybrid provider covering 100% of customers, businesses will rationally choose complete coverage. Noting also that the business faces no risk themselves in offering these dangerous suboptimal methods, as that risk is borne completely by the consumer who uses them.

Perhaps more critically, this disadvantage would persist for at least two years until 2028. In the context of a new emerging market where first-movers establish lasting dominance, we find it very hard to understand how this can be perceived as a minor problem.

We find this to be an extremely unusual position for a competition regulator promoting innovation and market entry to take, and particularly so as we’re right on the cusp of the Standards based regime becoming enforced through regulations.

Purpose of Open Banking Standards

Our Open Banking standards have been designed for consumer use cases, like sharing account data with accredited third-party services and making payments to friends or businesses. They have not yet covered certain business-specific features like batch payments or payroll processing. The statement that "without a hybrid model there will be a disruption in the availability of comparable services to consumers" overlooks the fact that consumer use cases are already well-supported by the current standards.

We have no problem with distinct business-to-business use cases that haven't yet been considered (like payroll - mentioned by the Commission) continuing to be supported by suboptimal access, provided these are clearly separated from consumer services and the business entity bears full liability for any resulting losses. These should be offered as completely distinct products outside the consumer Open Banking ecosystem.

The presence of these use cases should not be justification for maintaining dual-access systems for consumer access that will confuse consumers about security and undermine the purpose of establishing regulated standards.

Concerns over Standards Development Process

The Commission's suggestion to prioritise standards development based on features currently accessed through screen-scraping raises concerns. Standards development requires careful attention to privacy, security, customer consent, and system stability. It follows a collaborative process involving multiple stakeholders, regulators, and technical experts to ensure broad market applicability and consumer protection. New Zealand's Open Banking Standards are actually adapted from the UK's successful regime, representing thousands of hours of expert design and development. The UK standards now facilitate over 2 billion API calls monthly and have proven highly successful from security and consumer safety perspectives.

Prioritising features based on what individual companies have themselves implemented outside of a robust standards development framework risks compromising the integrity and thoughtful design of the standards ecosystem. This introduces a competitive asymmetry, in that some parties are following rules designed to protect consumers while others are not; it also creates a dangerous perception by stating that suboptimal providers are somehow “ahead” of Standards.

As a practical example of this, the Standards were recently updated to include Enduring Payment Consent in May 2025. This feature enables a consumer to establish consent for repeat payments (within certain limits) to one business, and supports the development of competitive options to card-based subscriptions and legacy direct debits.

The built-in limitation of needing to specify exactly which business the consent applies to is a feature designed with consumer safety and control in mind. However, there is at least one suboptimal provider in the market today who also allows this functionality without this sole-business restriction, which the underlying reverse engineered API access makes possible. Under the Commission's proposal, they can simply claim their unrestricted approach is covering a 'limitation' in the Standards and take advantage of this unrestricted access, eroding the principles of consumer control that the CPD regulation and Standards support.

Under-consideration of the Risks of Suboptimal Access

While the Commission acknowledges that screen-scraping "introduces risk [for consumers] and violates banks' terms and conditions," this dangerously understates the genuine consumer harm possible as a result. When consumers share banking credentials with third parties, they are left personally liable for any (potentially catastrophic) fraud losses that may occur, with no real options for recourse.

More worrying is the normalisation of credential-sharing and its effect on making consumers more vulnerable to phishing scams, which use the exact same methods to steal credentials and gain account access. Thanks to recent advances in AI, these scams are becoming more sophisticated and convincing and the fakes are getting harder to distinguish. The proposed approach seems to ignore these active and growing threats.

The proposed approach normalizes a security practice that is indistinguishable from the primary method used by scammers in phishing attacks. Every instance of “legitimate” credential-sharing trains consumers to engage in the exact behavior that fraudsters exploit, making it increasingly difficult for consumers to differentiate between legitimate and malicious requests for their banking credentials.

To add to this point, New Zealand banks have limited support for Strong Customer Authentication (second-factor authentication) for online banking access. This makes credential-sharing particularly dangerous in the New Zealand context; unlike the UK, which mandated SCA alongside Open Banking implementation to protect consumers. New Zealand consumers sharing their passwords are typically sharing single-factor credentials that provide unrestricted account access. The Commission's proposal to extend screen-scraping until 2028 effectively endorses the sharing of these weak authentication credentials for three more years, despite our banking system lacking robust security infrastructure that was present in other jurisdictions.

Alternative Transition Model

We commend the paper's general desire to see an end to suboptimal access methods. However, there is a lack of detail on whether other alternative models to the hybrid proposal have been considered.

A more reasoned approach that puts the safety of consumers front of mind would prevent mixing standards-based and suboptimal access together and blurring the lines between what is regulated access and what is not. We believe that completely distinct product offerings are required. Existing suboptimal access providers can offer a V2 product using standards-based access while maintaining their legacy V1 service. This would effectively:

- Eliminate the potential for consumer confusion about which access method they're using (the Commission says this can be explained easily for all consumers to understand… we disagree).
- Support clarity in consumer education from all parties (banks, third-parties, the Commission, MBIE, and so on) about what Open Banking is.
- Maintain competitive equality with Standards-based services which do not wish to engage in suboptimal access.
- Implement a true "sinking lid" on screen-scraping without creating competitive distortions
- Allow market forces to drive natural migration, as the Standards-based access methods are largely easier to use (thanks to app-based authentication) than suboptimal methods.

Conclusion

We strongly urge the Commission to reconsider the approach outlined in the September 2nd letter, which contradicts both competition principles and consumer protection objectives. A competition authority should not support a model that explicitly favours non-compliant incumbents over compliant new entrants, nor should it endorse a model that unnecessarily exposes consumers to fraud risks for another three years until 2028.

The proposed hybrid model risks undermining consumer education, safety and market competition at the very moment when Standards-based, regulated Open Banking is establishing itself as the secure, innovative future of New Zealand's payment ecosystem. Rather than facilitating a transition to secure methods, this approach entrenches unsafe practices and rewards those who have historically circumvented banking security protocols and responsibility to consumers with respect to data security.

We request that the Commission:

- Adopt the view of a separated model requiring distinct products that clearly delineate regulated from unregulated access, with existing providers required to separate their V1 (legacy) and V2 (Standards-based) offerings; and
- Support a sunset period of no more than 12 months for suboptimal access in consumer-focused services which Standards are designed to support (while allowing clearly defined business-to-business use cases like payroll to continue where the business bears all liability).

If the Commission maintains its views on a hybrid model despite these concerns, we request publication of detailed economic and risk analysis demonstrating why the competitive asymmetry and extended consumer exposure to unsafe practices until 2028 serves the long-term interests of New Zealand consumers.

Sincerely,
James McCann
Founder, Volley