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Submission to the Commerce Commission

Submission on Draft Determination

NZBA Application for Collective Bargaining of CIT Services

Submitted by;

Authentic New Zealand Limited

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Introduction

This submission is provided in response to the Draft Determination issued by the Commerce Commission.

Authentic New Zealand Limited (Authentic) welcomes the opportunity to provide a submission on the Draft Determination issued by the Commerce Commission.

Authentic supports the Commission's objective of maintaining a stable, resilient and transparent cash-in-transit (CIT) system in New Zealand. We agree that CIT services are critical infrastructure and that the sustainability of the system is an important public interest consideration.

Authentic does not oppose authorisation in principle. However, we submit that the structure and conditions of any authorisation are critical to ensuring that the outcome does not unintentionally entrench the current market structure at a time when credible alternative operating models are emerging and developing.

Executive Summary

We submit that the structure of any authorisation is critical. In summary, we recommend that:

- authorisation be granted for a shorter initial period, in the range of 3 to 5 years, with a formal review after 3 years
- the authorisation be structured to avoid entrenching the current market structure, including by not locking participants into long-term or exclusive arrangements
- disaggregated and alternative operating models, which are already operating and scaling, be recognised as credible contributors to system capability and resilience
- the Commission's analysis explicitly recognise that diversification of operating models reduces single point of failure risk and supports long-term system resilience
- the authorisation be clearly limited to collective bargaining activity and not facilitate outcomes that discourage or delay market evolution, including arrangements that inhibit switching or the use of alternative operating models

Authentic's submission is intended to support a stable, well-governed transition to a more resilient and adaptable cash system.

Authentic Role in the Market

The Draft Determination reflects a market view that is, in parts, based on earlier stages of market development. We consider it important that the Commission has an accurate and current understanding of Authentic's role.

Authentic is currently operating within the New Zealand market and is supporting bank-led cash operations through:

- operation of bank-owned vault infrastructure
- provision of cash processing, reconciliation and associated vault management, reporting, forecasting and control functions
- participation in a scalable, disaggregated operating model that is now operational and expanding
- development of a broader service capability, including transport through established subcontract arrangements

This operating model is implemented within bank-controlled environments and is governance-led and process-driven. It is supported by Authentic's established experience in cash operations and bank-aligned operating standards. This model has moved beyond initial implementation and is progressively expanding across bank operations, with broader rollout occurring in the coming weeks.

Authentic role should be understood as an active participant in the New Zealand cash system, rather than as a potential future entrant.

Managed Transition and System Resilience

Authentic recognises that the cash system is critical infrastructure, and that transition risk must be carefully managed.

Our positioning is that the development and scaling of alternative operating models, when implemented within a disciplined and well-governed framework, supports system resilience by reducing single point of failure risk.

In practice, this involves using existing bank-owned facilities and infrastructure, experienced operators and established service providers, supported by bank-led governance and risk management frameworks, and progressively scaling capability.

Authentic operating model is designed to support this approach, including the ability to operate in parallel with existing arrangements and to scale services progressively within a governed framework.

Authorisation Should Be Structured to Reflect Market Evolution

The Draft Determination proposes authorisation for an 11-year period. We submit that, given the Commission's own findings that:

- the identified public benefits are modest and largely qualitative
- there is uncertainty regarding market development and potential entry
- the competitive landscape is evolving

it would be appropriate for the authorisation to incorporate greater flexibility.

We recommend that the Commission consider a shorter initial authorisation period, for example in the range of 3 to 5 years, together with defined review mechanisms. In particular, an initial period of 3 years would allow sufficient time for collective arrangements to be established, with a formal review at that point to assess market developments and determine whether any extension is appropriate. This approach reflects the Commission's findings that the benefits are modest and that the competitive landscape is evolving.

Avoiding Unintended Entrenchment of the Current Structure

A central consideration for the Commission is to ensure that authorisation does not inadvertently entrench the current market structure.

We submit that the authorisation should be clearly limited to collective bargaining activity and should not facilitate outcomes that:

- create or reinforce long-term exclusivity
- discourage or penalise banks from shifting or reallocating volumes to alternative operating models or providers
- otherwise delay or deter the development of competitive or complementary structures

This is not a submission against coordination where it delivers public benefit. Rather, it is a submission that such coordination should not have the effect of limiting the development of emerging models that may contribute to resilience and efficiency over time.

Recognition of Disaggregated and Alternative Operating Models

The Draft Determination places weight on the uncertainty of new entry, particularly in the context of wholesale CIT services.

We submit that competition and resilience in the CIT sector should not be assessed solely by reference to the presence of a single vertically integrated alternative provider.

Disaggregated operating models - involving bank-owned infrastructure, specialist operators and subcontracted service delivery - represent a credible and relevant form of market development. These models are now operating and continuing to scale, and can:

- provide operational capability across the value chain
- enable diversification of service provision
- reduce reliance on a single provider
- support innovation and efficiency through flexible and incremental development of different parts of the value chain

Disaggregated and bank-supported models can also support ongoing investment in systems and technology, including the deployment of modern processing, reconciliation and reporting capabilities. This contributes to both operational efficiency and the long-term sustainability of the cash system.

In some areas of the value chain, including specialised processing and regional servicing, there may also be efficiencies in shared or coordinated service provision. Over time, this may support more efficient use of infrastructure and reduce unnecessary duplication, provided appropriate commercial and governance frameworks are in place.

Such models do not require immediate, full replication of the incumbent structure in order to deliver public benefit. Their contribution should be assessed in terms of their ability to complement and, over time, provide competitive constraint within the system.

We consider that the Commission's analysis would benefit from explicitly recognising this form of market evolution.

Alignment with System Stability Objectives

Authentic supports the broader regulatory focus on financial stability and continuity of cash services.

Our submission is intended to align with that objective. We do not seek to challenge existing regulatory settings or the role of other agencies. Rather, we submit that:

- stability and resilience are enhanced by diversification and controlled implementation
- emerging models can be integrated into the system in a staged and governed manner
- regulatory settings should not unintentionally limit the development of such models

The objective is a cash system that is both stable and adaptable, not one that is dependent on a single operating model over the long term.

Conclusion

Authentic supports the Commission's intent to ensure the sustainability of CIT services and does not oppose authorisation in principle.

However, we submit that:

- the authorisation should be structured over a shorter initial period, in the range of 3 to 5 years, with a formal review after 3 years
- care should be taken to avoid entrenching the current market structure
- disaggregated and alternative operating models, which are now operating and scaling, should be recognised as legitimate contributors to system capability and resilience
- a disciplined and well-governed transition to a more diversified operating environment supports the long-term public interest
- the authorisation should be clearly limited to collective bargaining activity and not facilitate outcomes that inhibit switching or the use of alternative service models

We consider that these refinements are consistent with the Commission's analytical framework and would enhance the alignment between the authorisation and the future development of the New Zealand cash system.

Authentic would welcome the opportunity to engage further with the Commission as it progresses to its final determination.

Sincerely,

Stephen Newton
Country Manager
Authentic New Zealand Limited

