



Payment services regulation

DISCUSSION DOCUMENT – MAY 2026



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Te Kāwanatanga o Aotearoa
New Zealand Government



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Ministry of Business, Innovation and Employment (MBIE) Hīkina Whakatutuki – Lifting to make successful

MBIE develops and delivers policy, services, advice and regulation to support economic growth and the prosperity and wellbeing of New Zealanders.

MORE INFORMATION

Information, examples and answers to your questions about the topics covered here can be found on our website: www.mbie.govt.nz.

DISCLAIMER

This document is a guide only. It should not be used as a substitute for legislation or legal advice. The Ministry of Business, Innovation and Employment is not responsible for the results of any actions taken on the basis of information in this document, or for any errors or omissions.

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Minister's foreword

This Government is focused on building a stronger, more productive economy. As part of our Going for Growth agenda, we want competitive business settings that support investment, innovation and better outcomes for New Zealanders.

Payment services are an important part of that picture. They are part of everyday activities like paying bills, buying groceries, paying staff, and selling goods online. When payment services work well, they help consumers and businesses participate in the economy with confidence. Clear and proportionate settings can also support trust, innovation and competition.

Payment services are evolving quickly, and this is the right time to ask whether New Zealand's current settings remain clear and fit for purpose.

This discussion document does not put forward decisions or preferred options. It is an opportunity to hear from consumers, businesses and payment service providers about what is working well, where there are gaps or uncertainty, and what matters most in practice.

I encourage anyone with an interest in payment services to make a submission. Your feedback will help inform the Government's next steps.

Hon Cameron Brewer

Minister of Commerce and Consumer Affairs



How to have your say

Submissions process

The Ministry of Business, Innovation and Employment (**MBIE**) is seeking written submissions on the issues raised in this document by 5pm on **Friday 3 July**.

You can respond to any or all of the issues raised in this document. Where possible, please include evidence to support your views (for example, references to independent research, facts and figures, or relevant examples from your experience).

We welcome submissions from anyone with an interest in payment services, including consumers, small and large businesses, banks, non-bank payment service providers, industry bodies, and community organisations.

Preferred method: online submission form

We encourage you to use our online submission form, available at:

www.mbie.govt.nz/payment-services-regulation. This form includes the consultation questions and allows you to respond using tick-boxes and short text fields. This helps us analyse feedback consistently.

Alternative method: email submission

If you prefer, you can email a written submission to financialmarkets@mbie.govt.nz. Please include “Payment services consultation” in the subject line, and where possible, reference the question numbers in this document.

If you have any questions about the submission process, please email us at financialmarkets@mbie.govt.nz.

Use of information

The information provided in submissions will be used to inform MBIE’s policy development process and will inform advice to Ministers. We may contact you if we need to clarify any points in your submission.

We may share submissions with other Government agencies working on payments, including the Reserve Bank and the Financial Markets Authority (**FMA**), to help coordinate policy advice.

Release of information

MBIE intends to publish submissions on our website at www.mbie.govt.nz after consultation closes. We may withhold or redact information where there is a proper reason to do so, including to protect personal information or where submitters have identified information they consider should not be publicly disclosed.

Submissions may also be subject to release under the Official Information Act 1982 and requests under the Privacy Act 2020.

Official information

Submissions may be requested under the Official Information Act 1982. If you object to the release of any information in your submission, please clearly identify the information you want to be withheld. Please explain the reasons for withholding and the relevant grounds that may apply under the Official Information Act 1982.

We will take objections into account and where possible will consult with submitters when responding to requests under the Official Information Act 1982.

Private information

The Privacy Act 2020 governs how we manage personal information (for example, its collection, use, holding and disclosure). Any personal information you provide in a submission will be used to help develop policy advice, to attribute submissions or to contact you about your submission. We may also use personal information for other reasons permitted under the Privacy Act 2020 (for example, with your consent, or where the law permits it or requires it).

Please clearly indicate in the submission form or the cover letter or email accompanying your submission if you do not want your name or other personal information to be disclosed in the published submission or any other external release.

You have the right to access and correct your personal information, as explained on the MBIE website. If you include another person's personal information in your submission, they also have the right to access and correct their information.

Other information

If there is other information that you would like MBIE to consider but you do not want it publicly disclosed, please explain this clearly in your submission and identify the relevant information.

Key terms

AML/CFT	Anti-Money Laundering and Countering Financing of Terrorism
Back-end	The networks, systems, infrastructure and governance arrangements that support payments behind the scenes between financial institutions and service providers. This includes payment networks, switching, clearing and settlement systems, and wider system governance arrangements.
CARF	Crypto-Asset Reporting Framework. An international tax reporting framework for some digital token services.
Clearing and settlement	The back-end steps that happen after a payment is initiated. Clearing is where payment instructions are exchanged and amounts are calculated. Settlement is where the money is transferred between the relevant financial institutions to complete the payment.
Custody	When a payment service provider holds or controls money, digital tokens, or other financial assets on someone else's behalf.
DCS	The Depositor Compensation Scheme. The DCS is a scheme that protects depositors up to \$100,000 if their deposit taker fails. Coverage is automatic if money is in a DCS-protected account.
Deposit taker	A financial institution that takes deposits from the public (for example, money in transaction, savings or term deposit accounts). Deposit takers include banks and non-bank deposit takers (such as credit unions, building societies and some finance companies).
Digital token	A digital record that represents value and can be held or transferred electronically. Unlike an ordinary bank account balance, a digital token is designed to be transferred as a digital item in its own right, rather than only by a financial institution updating its internal records. Digital tokens are often created, recorded and transferred on a blockchain or another digital ledger. Some digital tokens are used for payments, while others are used mainly as investments or for other purposes.
ESAS	Exchange Settlement Account System. This is a Reserve Bank-operated system that supports the real-time settlement of payments between banks and other approved financial entities.
FMA	The Financial Markets Authority. The FMA is New Zealand's financial markets conduct regulator. The FMA promotes and facilitates fair, efficient and transparent financial markets, including by licensing and supervising certain financial service providers and taking enforcement action when needed.
FMC Act	Financial Markets Conduct Act 2013

FMI	Financial market infrastructure. An FMI is a system or arrangement that enables financial transactions to be cleared, settled or recorded. FMIs include systems used for payments, securities and derivatives.
FMI Act	Financial Market Infrastructures Act 2021
FSPR	Financial Service Providers Register
MBIE	Ministry of Business, Innovation and Employment
Merchant acquiring	A service that helps businesses accept card and other electronic payments and receive the money. It usually includes setting up the business to take payments (for example through a terminal or online checkout), processing the payment, and paying the business after the payment is completed.
Open banking	A way for customers to authorise their bank to securely share account data with a third party and, if the customer agrees, to allow that third party to initiate payments from the customer's bank account on the customer's behalf. The Government introduced regulated open banking in December 2025, under which participation is subject to an accreditation framework.
Payment facilitation	Services provided to consumers or businesses that help them make or receive a payment, without usually holding customer money for long periods, or at all. Examples include merchant acquiring services offered to businesses, online payment gateways and business payment platforms, money transfer services offered to end users (including cross-border transfers), and payment initiation services used by customers, including through open banking.
Payment gateway	A service that connects an online checkout to payment networks so customers can pay.
Payment initiation	The act of starting a payment transaction. In open banking, this typically involves a customer authorising a third party (such as an app) to initiate a payment from the customer's bank account.
Payment services	Services that help people and businesses pay and get paid. In this document, the term "payment services" includes both payment facilitation services and stored value services. We use the term to mean the front-end services provided to users, rather than the back-end systems and infrastructure that move money between financial institutions.
Payment service provider	Any entity providing payment services in New Zealand (including both banks and non-bank providers).
Payments NZ	An industry organisation that helps govern New Zealand's core payment clearing systems. Payments NZ develops and manages the rules,

standards and procedures for those systems with the financial institutions that participate in them.

Prudential rules or requirements	Rules that focus on the soundness of a financial service provider and, in some cases, the stability of the wider financial system. Prudential rules typically relate to things like managing risk, holding enough assets to meet obligations, and being able to keep operating in periods of stress.
Redeemable token	A digital token that can be swapped back into Government-issued money recognised as legal currency (for example, New Zealand dollars) under the product's rules.
Reserve Bank	New Zealand's central bank. The Reserve Bank issues New Zealand dollars, sets monetary policy, promotes financial stability, regulates and supervises parts of the financial sector, and operates or oversees key payments and settlement functions (e.g. through ESAS).
Safeguarding	The practical and legal measures that protect customer money or value (for example, keeping customer assets separate from the provider's own assets, strong controls and record-keeping, and clear arrangements for how customers' claims are handled if the provider fails).
Stablecoin	A type of digital token designed to stay close to or at the value of another asset (for example, a token intended to be worth one US dollar). Stablecoins are often used for cross-border transfers and for converting between money and tokens.
Stored value	Services that hold a balance for a customer to use later for payments or transfers. In this document, we use the term to describe payment service products such as digital wallets and similar services, rather than ordinary bank transaction accounts.
Rules	Requirements in Acts and regulations, as well as other requirements set by payment systems or networks, such as participation rules, access requirements and technical standards.
Tokenised deposit	A digital token issued by a bank or other deposit taker that represents a customer's deposit (for example, money in a bank account), shown in token form. The token is designed so the deposit claim can be transferred within a token system, while still being a claim on the deposit taker.
Wallet	An app or account that lets a person hold a balance and make or receive payments. The balance may be in money (for example, New Zealand dollars), in digital tokens, or in another form of stored value, depending on the product. A wallet holding digital tokens may hold tokens directly or may control the credentials ("keys") needed to access and transfer tokens.

Introduction

At a glance

This document asks for your views on whether New Zealand’s rules for payment services are clear and fit for purpose. It focuses on the front-end payment services that people and businesses use, and on the providers that offer them, including both banks and non-bank providers.

This document does not propose a preferred solution. At this stage, we want to understand your experiences and what outcomes you think matter most.

Why payment services matter

1. New Zealanders buy and sell things every day: paying bills, buying groceries, paying staff, or selling items online. We rely on a range of **payment services** to make these transactions happen, and many of these services are now used through phones and apps.
2. When payment services work well, people and businesses can pay and get paid quickly, safely, and at reasonable cost. When they do not work well, the impacts can be immediate. For example, if a service goes down, households may not be able to buy essentials and businesses may miss sales.

What this discussion document is about

3. This document is about the rules that apply when **payment service providers** offer payment services to people and businesses in New Zealand.
4. In this document, payment service providers include both banks and non-bank providers, and our focus is on the front-end services that users interact with, such as paying from an app, using a digital wallet, sending money or accepting payments as a business. For a more detailed explanation of different types of payment services covered by this discussion document (including examples), see section 1.1 below.
5. We are interested in whether the rules for these services are clear, whether they provide appropriate and consistent protections, and whether they support competition and innovation.

How this discussion document relates to other work

Reserve Bank’s payments modernisation work

6. The Reserve Bank is leading separate work on payments modernisation. That work looks at the payments system more broadly, including system-wide governance, access, and the infrastructure that supports everyday payments.
7. This MBIE discussion document focuses on the front-end services provided by payment service providers to people and businesses, including issues such as protecting customer money, giving clear information to users, service reliability, and responsibility when problems occur. We are not seeking feedback on the back-end systems and

infrastructure that move money between financial institutions behind the scenes, and mention these matters only to help explain the context in which front-end payment services operate.

8. The two pieces of work are complementary. Changes to provider-level rules need to fit alongside any broader system-level reform. We are coordinating closely with the Reserve Bank and other agencies to make sure that this will be the case.
9. The Reserve Bank also has a broader interest in how payment services affect the efficiency and resilience of the payments system over time. As payment services evolve, the way people make everyday payments can have wider implications for confidence in money and in the payments system as a whole. This is one reason it is important that provider-level rules and system-level settings work well together.

Financial Markets Authority's tokenisation consultation

10. The FMA recently consulted on tokenisation in financial markets and has published a submissions report summarising feedback themes.¹ MBIE has reviewed that report and is working with the FMA so that the overall approach across payments and digital assets is coherent.
11. If you made a submission to the FMA's consultation, you do not need to repeat it in your response to this consultation. You are welcome to refer to your earlier submission and focus on anything that is specific to payment services.

Prudential regulation

12. Some payment business models could become large enough over time to raise prudential concerns. In simple terms, prudential issues are about the financial soundness of a provider and, in some cases, risks to the wider financial system.
13. While this document does not focus on prudential regulation, the Reserve Bank is monitoring developments in this area. Section 4.4 asks whether any future payment services framework should take account of possible prudential issues if the sector grows and becomes more interconnected with the wider financial system.

Who we want to hear from

14. We welcome feedback from anyone who has an interest in payment services, including:
 - a. banks and non-bank payment service providers
 - b. businesses that use payment services (including small businesses)
 - c. business groups, advocacy bodies, legal or operational advisers and academics
 - d. consumers and consumer representative organisations.

¹ See the FMA's website for a copy of the report and collated submissions:
<https://www.fma.govt.nz/business/focus-areas/consultation/tokenisation-in-financial-markets/>.

15. We have colour-coded and grouped questions by expected audience:

Questions for everyone	Questions for payment service providers	Questions for businesses and consumers	Questions for providers or users of digital tokens
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16. You can answer any question you have views on, whether or not you are part of the expected audience.

What we want feedback on

17. We want to understand:
- how payment services work in practice for different users (including consumers and small businesses)
 - whether there are gaps in the current rules, or areas where the rules are unclear
 - whether today's approach strikes the right balance between protecting users and supporting competition and innovation
 - what outcomes New Zealand should prioritise for payment services, and what kinds of options (including options that do not involve new laws) might be available to achieve those outcomes.
18. **Annex 1** lists the consultation questions in full, grouped by audience.
19. MBIE will use consultation feedback to advise Ministers on whether any government action is needed (for example changes to laws or regulations, guidance or standards). Depending on what Ministers decide, we may consult again on more specific proposals. At this stage, we are seeking your experiences and evidence to help us understand whether there are problems that need to be addressed.

What we are not seeking your feedback on

20. This consultation is not about:
- lending and deposit-taking activities that are separate from payment services, including ordinary bank transaction accounts
 - gift cards, transport cards and gaming credits that can only be used with a specific retailer or service (these are sometimes called “closed loop” products)
 - digital tokens used as investments or for speculative trading²
 - systemically important financial market infrastructures regulated under the Financial Market Infrastructures Act 2021 (**FMI Act**)

² Financial markets rules may apply where a token functions as, or is offered as, a regulated financial product, or where services relating to a token are regulated financial services. See the FMA's work on tokenisation linked in the previous footnote.

- e. surcharging, including the rules applying to surcharges for different payment methods
- f. the back-end infrastructure and wider system settings that support the payment system, such as clearing and settlement systems, Exchange Settlement Account System (**ESAS**) access, and broader governance arrangements
- g. broader questions about the regulation of money itself (for example, decisions about the issuance or design of New Zealand dollars, monetary policy, or any future central bank digital currency).

Section 1: The payment services landscape

At a glance

Some payment services help a payment happen, while others hold a balance that a customer can use later. In this document, payment services include both payment facilitation services and stored value services, which are offered by both banks and non-bank providers.

What looks like a simple tap, click or transfer can rely on different networks and behind-the-scenes arrangements. These differences can affect cost, speed, reliability, and who is responsible when something goes wrong.

1.1 About payment services

21. Payment services help people and businesses pay and get paid. In this document we use the term to cover two broad types of front-end payment services:

- a. **Payment facilitation services** help people make or receive payments without holding money for long periods or at all. They can help start or process a payment. Examples of payment facilitation services include:
 - services that help businesses accept card payments and receive the money (sometimes called “merchant acquiring” services)
 - online payment gateways and business payment platforms
 - money transfer services (including cross-border transfers)
 - services that let customers pay directly from their bank account using an app or online interface, including those made possible by open banking
 - services that let customers send or receive payments using digital tokens or electronic money.

In this document, payment facilitation services do not include back-end or system-level functions (the networks, infrastructure, systems and governance arrangements that support payments behind the scenes between financial institutions and providers, rather than the user-facing service offered to a consumer or business).

- b. **Stored value services** hold a balance for a customer to use later. For example, a person may hold money or value in a wallet app and then use that balance to make payments or transfers. In some cases, the balance may be held in New Zealand dollars, while in other cases it may be held in digital tokens, such as stablecoins. Some stored value products can look similar to a bank account, which can affect what users expect in terms of safety and protections.
22. In this document, payment service providers include both banks and non-bank providers. Some providers offer payment services as their main business. Others provide payment services alongside other activities such as taking deposits or lending.

23. Some payment services also do more than move money. For example, they may help a business reconcile payments with its records or help users see and manage spending more easily. These kinds of front-end features can affect the value people get from a payment service, even though they do not change the back-end movement of money itself.

1.2 Digital tokens used in payment services

24. Some payment services use digital tokens (such as stablecoins) to move value or to store a balance for later payments. Many digital tokens used in payment services are created, recorded and transferred on a blockchain or another digital ledger.
25. In this document, we are only interested in services that use digital tokens to make or receive payments, or that hold digital tokens for later payments. We are not focusing on digital tokens used mainly as investments or for speculative trading.
26. A useful starting point is that not all digital tokens work in the same way. Some are designed to keep the same value as a currency, or very close to it. Others go up and down in value more like an investment. The difference matters because it affects how suitable a token might be for use in payments and what kind of protections users may need.
 - a. **Redeemable tokens (including tokenised deposits and stablecoins):** Some tokens are designed to be redeemable for money (for example, New Zealand dollars or US dollars) at a set rate, or very close to it. This includes tokenised deposits and many stablecoins. For example, a tokenised deposit issued by a bank is designed to represent money in a bank account. A stablecoin may also be designed to maintain the value of a currency, but whether it actually does so may depend on how it is backed and how easily users can change it back into money.
 - b. **Non-redeemable tokens (for example, Bitcoin):** Other tokens are not designed to be changed back into money at a set rate. Their value may move up or down depending on the market. They can still be used to transfer value, but they do not provide the same price certainty as tokens designed to stay close to the value of money.
27. Token-based payment services can be set up in different ways. For example:
 - a. A customer may hold a balance in digital tokens, for example in a wallet, and use those tokens to send or receive value.
 - b. A customer may hold an ordinary money balance in New Zealand dollars, but the provider may use digital tokens in the background as one way to move value, for example for a cross-border transfer, before changing the value back into money.
 - c. A customer may be able to change New Zealand dollars into digital tokens, or vice versa.
28. These different models can use different networks and arrangements for moving value. When value is transferred in token form between wallets or platforms, the transfer may happen on the relevant blockchain or digital token network, rather than through ordinary

payment services, such as bank transfers or card payments. By contrast, moving money into or out of a token-based service may still rely on ordinary payment services.

29. In practice, many platforms combine two or more of these functions in one place (for example, letting customers buy and sell tokens, hold them in a wallet, and transfer them to other people or to another platform).
30. The way a token-based service is set up can affect what risks arise, what protections apply, and who is responsible if something goes wrong. That is why this document asks whether general rules for payment services are enough for these models, or whether some token-based services may need more specific rules or expectations (see section 3.2 below).

1.3 How payment services operate

31. Payment service providers can be involved at different points in a payment. For example, a firm may offer a business-facing or customer-facing payment service (for example, a business payments platform, a wallet app or a provider that helps businesses accept payments) while also participating in payment networks, switching arrangements or other processing functions behind the scenes.
32. In many cases, even where a service does not look like a bank, it still depends on access to banking services to operate. This can include transaction accounts, payment processing, and access to liquidity to fund or settle payments. If that access is delayed, restricted, withdrawn, or made too expensive, it can directly affect whether a provider can offer the service at all.
33. In practice, many payment services depend on other services or arrangements behind the scenes. For example:
 - a. some services rely on account-to-account payments through the banking system
 - b. some rely on card networks such as Visa or Mastercard
 - c. some rely on open banking standards and accreditation to support payment initiation or account verification
 - d. some token-based services rely on digital token networks, such as blockchain networks, to transfer value
 - e. some non-bank providers cannot connect directly to key payment processes and instead rely on a sponsoring bank or other provider to do part of the service on their behalf.
34. For providers, these arrangements can affect costs, the terms on which they can operate, and their ability to grow. For example, if a sponsoring arrangement or a necessary bank account is changed, ended, or made much more expensive, a provider may have to reduce or stop the service it offers.
35. For users, those same arrangements can affect what they experience in practice. They can influence fees and charges, how quickly a business gets paid, service reliability, how

easy a service is to use, what information users receive about their payments, and who is responsible when a payment fails or another problem occurs.

36. We refer to these back-end systems and arrangements only to explain the context in which front-end payment services operate. We are not seeking views through this consultation on whether those back-end systems or arrangements should themselves be changed, although we welcome feedback if we have not described that context accurately.

Question for everyone

1. Do you agree with our description of payment services? If not, what would you change?

Section 2: The rules that apply today

At a glance

New Zealand does not have a single dedicated set of rules for payment service providers. Instead, different laws and requirements may apply depending on what the provider does, how the service is set up, and whether the provider is a bank or a non-bank provider.

This section explains the main rules that apply to front-end payment services today, briefly explains the position in some other countries, and explains why we are seeking feedback on whether New Zealand's current rules are clear and fit for purpose.

2.1 What we mean by “rules”

37. In this document, we use the term “rules” in a broad way. The term includes legal requirements in Acts and regulations, as well as other rules set by payment systems or networks, such as participation rules, access requirements and technical standards.
38. We use the term this way because the overall mix of requirements can affect how front-end payment services operate in practice. However, this consultation is not intended to review every rule that may affect payments, or to seek views on changing back-end system or network rules. Our focus is on where the current mix of requirements affecting front-end payment services may be unclear, overlap, or create unintended barriers.

2.2 How rules apply to payment services today

39. New Zealand does not have a dedicated provider-focused framework for payment service providers. Instead, different rules may apply depending on what a provider does, how their service is set up (for example, whether they hold customer money or a stored balance), and whether the provider is a bank or a non-bank provider. This can make it hard for providers and users to work out which rules apply to a particular payment service, what protections users have, and whether similar services are being treated in similar ways.
40. For many non-bank providers, the most common legal requirements they must comply with include:
 - a. **Being listed on the Financial Service Providers Register:** The Financial Service Providers Register (FSPR) is a public register run by the Companies Office. It lists businesses that provide financial services in New Zealand. Being on the FSPR is not a licence or stamp of approval from the FMA, nor is it a sign that the FMA actively supervises the provider.
 - b. **Belonging to an approved financial dispute resolution scheme:** If a provider serves retail clients (i.e. individual consumers and small businesses), it must belong to an approved dispute resolution scheme. These schemes provide a free and independent way for customers to raise complaints if they cannot resolve an issue directly with a provider.

- c. **Complying with fair dealing requirements:** The rules in Part 2 of the Financial Markets Conduct Act 2013 (**FMC Act**) prohibit misleading or deceptive conduct, and prohibit false, misleading or unsubstantiated representations in relation to financial services or financial products. The Fair Trading Act 1986 applies more generally to conduct in trade and prohibits misleading or deceptive conduct and false, misleading or unsubstantiated representations in relation to goods and services.
 - d. **Complying with anti-money laundering and countering financing of terrorism regulations:** If a provider is a “reporting entity” under the Anti-Money Laundering and Countering Financing of Terrorism (**AML/CFT**) Act 2009, it must have systems and processes in place to help prevent money laundering and terrorism financing. This can include checking customer identity, monitoring transactions, keeping records, and reporting suspicious activity to the New Zealand Financial Intelligence Unit.
41. Banks and other deposit takers that provide payment services are also subject to broader rules that apply to their wider business, including prudential requirements about financial soundness (overseen by the Reserve Bank) and conduct requirements about how they treat their customers (overseen by the FMA).

2.3 How current rules may protect customer money or stored balances

42. Some payment services hold customer money or stored value for a period of time. For example, a customer may keep a balance in a wallet app, or a business may have money waiting to be paid out after customers make purchases. Unlike in some other countries, New Zealand does not have a single statutory regime that sets out how customer money or stored value held by payment service providers must be protected. Instead, what protections apply can depend on how the service is set up and which existing laws or arrangements apply.
43. When a provider holds customer money or a stored balance, people usually want to know two things:
- a. Is my money kept separately from the provider’s own money?
 - b. What happens if the provider fails or something goes wrong?
44. Different providers deal with this in different ways. A common approach used by many non-bank providers is to hold customer money on trust in an account at a bank. In simple terms, this means the money is held for customers and should not be treated as the provider’s own money to spend.
45. Even when money is held on trust, the details can vary. What protections apply can depend on what the trust arrangement says, how the provider keeps records, and what the customer contract says. Trust law can also set expectations about how the provider must manage those funds (for example, keeping proper records and acting in their

customer's best interests). These details can affect how money is dealt with if something goes wrong.

46. Trust arrangements can also make it harder to assess how the Depositor Compensation Scheme (**DCS**) applies. The DCS is designed to protect eligible deposits in the event that a licensed deposit taker fails (up to a legal limit of \$100,000 per depositor per institution). If a payment service provider holds customer funds on trust with a licensed deposit taker (such as a bank), and the licensed deposit taker fails, the extent of DCS protection in that scenario depends on the specific trust arrangement used and how it operates in practice.³
47. Sometimes, a stored value product (or the way it is offered) can also fall under other financial markets regulations (for example, if it operates in practice like another kind of regulated financial product). This can happen where customer funds are pooled, returns are offered, or the product has features that look more like an investment or deposit-type product. Whether those rules apply depends on the design and terms of the product or service, rather than the label used.
48. However, even where other financial markets rules may apply, they do not add up to a single, clear set of protections for payment services that hold customer money or stored value. It is not always easy for providers or users to tell in advance when extra rules apply, and some of them may not fit well where they were designed mainly for traditional deposit-taking or investment products rather than payment services. This can leave protections uncertain or uneven in practice, including in relation to what happens if a provider fails.
49. Similar issues can arise when a provider holds digital tokens for customers (for example, where the provider holds a token wallet for you, or provides custody services). In those cases, what protections apply can depend on how the service is set up and what rights the token gives the customer (including whether the token can be redeemed for money).
50. The key point is that similar-looking balances can be structured in different ways, and the protections that apply can differ materially depending on how value is held and what legal or contractual arrangements apply.

2.4 Other rules and requirements that affect payment services

51. Front-end payment services rely on wider systems, networks, and arrangements that have their own rules and requirements. These wider frameworks are not the focus of this consultation, but they can affect what payment service providers are able to offer in practice and on what terms.

³ See the Reserve Bank's information on DCS coverage of non-regulated entities at: <https://www.rbnz.govt.nz/dcs/dcs-coverage-of-non-regulated-entities>. For the avoidance of doubt, the DCS only applies to licensed deposit takers. It does not provide compensation for the failure of a payment services provider that is not a licensed deposit taker.

52. Some key examples are:
- a. **Retail Payment System Act 2022:** This Act gives the Commerce Commission powers to monitor the retail payment system (which covers all everyday payments such as buying something, getting paid, transferring money or using an ATM) and to set standards and access requirements for designated payment networks (including Visa and Mastercard). The aim is to promote competition and efficiency.
 - b. **Financial Market Infrastructures Act 2021:** The FMI Act provides for the designation and oversight of systemically important financial market infrastructures (for example, systems that clear, settle or record payments or other financial transactions). For FMIs that are payments systems, the Reserve Bank is the main regulator.
 - c. **Customer and Product Data Act 2025:** The Act, together with the regulations and standards made under it, provides the legal and operational framework for regulated open banking, including secure data sharing and payment initiation. The framework governs how banks and accredited providers participate in open banking, including requirements set through standards issued and enforced by MBIE.
 - d. **Industry rules for domestic clearing systems:** Some core domestic payment clearing systems are governed by rules, standards and procedures managed by Payments NZ together with participating financial institutions. These rules help determine how certain types of payments are exchanged and settled between institutions.
53. These wider rules and arrangements matter because they can affect things such as access, pricing, service design, and how providers connect to the wider payments system. As noted earlier, we are not seeking views through this consultation on whether these wider rules and arrangements should be changed.

2.5 International context

54. As noted above, New Zealand does not currently have a dedicated provider-level framework for payment service providers. In some other countries, payment service providers are covered by clearer licensing or activity-based regimes.
55. These overseas approaches are not all the same. However, many of them identify particular payment activities that need approval, registration or ongoing oversight, and often include more specific rules about matters such as protecting customer funds, giving users clear information, conduct, operational resilience, and supervision.
56. For example, Singapore's Payment Services Act 2019 sets out a dedicated framework for specified payment services, including domestic and cross-border money transfer, merchant acquisition, e-money issuance, and digital payment token services. The Act also expressly excludes some activities, including some transactions within payment

systems and some technical services that support payments without holding customer money.⁴

57. In the United Kingdom and the European Union, payment services are regulated under dedicated payment services legislation. These frameworks provide for the authorisation or registration of payment institutions and include rules on matters such as safeguarding, transparency and conduct.⁵
58. Australia is currently modernising its framework for payment service providers through staged reforms. The Australian Treasury has described those reforms as creating a clearer and more proportionate framework, including licensing obligations for some payment functions, safeguarding requirements, and prudential rules for some larger stored-value providers and designated payment service providers.⁶
59. We include this brief international context to help inform submissions on New Zealand's approach. At this stage, we are not assuming that any one international model should be adopted in New Zealand.

2.6 Why we are asking for your views on today's rules

60. We are seeking your feedback on how well New Zealand's current rules and protections for payment services work in practice, and where they may be unclear.
61. Stakeholders have told us that it can be hard to work out what rules and protections apply to payment services in practice. Requirements can differ depending on a provider's business model, legal structure, the back-end mechanisms that are used, and the type of service being offered. Public information about how some providers are structured, how customer funds are held, and what protections apply may be limited or described inconsistently. We have also heard that, even where it is clearer what rules apply, those rules may not fit payment services well. In some cases, providers may need to work within rules designed for traditional deposit-taking or investment products rather than payment services.
62. We are asking for your feedback to understand:
 - a. whether providers, businesses and consumers have a clear understanding of which rules apply today
 - b. where rules are unclear, inconsistent or overlapping, or don't fit the risks of the activity
 - c. which parts of today's approach work well and should be kept

⁴ More information on Singapore's Payment Services Act 2019 is available here:

<https://www.mas.gov.sg/regulation/acts/payment-services-act>.

⁵ More information is available here: <https://www.fca.org.uk/firms/payment-services-regulations-e-money-regulations> (United Kingdom) and here: https://finance.ec.europa.eu/consumer-finance-and-payments/payment-services/payment-services_en (European Union).

⁶ More information on Australia's reforms is available here: <https://treasury.gov.au/policy-topics/banking-and-finance/payments-licensing-reforms>.

- d. whether confusion about the rules affects day-to-day outcomes, such as fees, delays in getting paid, reliability, customer confidence, and how problems are resolved.

Questions for everyone

2. On a scale of 1 (not clear) to 5 (very clear), how clear is it what rules and protections apply to the payment services you provide or use?

3. On a scale of 1 (poor fit) to 5 (very good fit), how well in practice do the current rules and protections fit the payment services you provide or use?

4. Please explain your answers to question 2 and 3. For example, are there areas where it is hard to tell what rules or protections apply, where similar services are treated differently, or where the current rules do not fit the activity well or create unnecessary costs or barriers? Please give examples. If there are areas where the current rules are clear and work well, please tell us about those too.

Question for businesses and consumers

5. Have you experienced any problems with payment services (such as fees you didn't expect, delays in getting paid, outages, or scams/fraud)? If yes, what happened? Was it clear who was responsible and what protections applied?

Section 3: What may not be working well today

At a glance

This section explains what we think may not be working well in payment services today, and why it matters for people and businesses. It focuses on barriers that may be making it harder than necessary for payment services to enter, grow and compete; whether protections for consumers and businesses are clear and adequate; and what may happen over time if nothing changes.

3.1 What may be getting in the way of better, cheaper payment services

63. Payment services need to keep up with how New Zealanders live and do business. People and businesses benefit when payment services are affordable, reliable and easy to use, and when new providers can enter the market and grow. This can lead to more choice and better services over time.
64. However, current rules and commercial arrangements may make it harder than it needs to be for some payment services to start up, compete or scale. This is not only about how many rules exist. It is also about whether the rules are clear and workable, and how they interact with the commercial arrangements that providers rely on to operate.

Where current rules may not fit payment services well

65. As described in section 2, the rules that apply can depend on what the provider does, how the service is structured, and whether the provider is a bank or non-bank provider. This can mean similar payment services are treated differently depending on how they are set up. It can also create incentives for providers to structure services around rules that were designed for other kinds of products.
66. The issue is not just uncertainty about what rules apply. It is that the rules that apply were designed mainly for traditional deposit-taking, borrowing or investment products rather than payment services. Applying those rules to payment services may create requirements that do not match how the service works or the risks it creates, and may impose costs or complexity that are not well-targeted to the activity.
67. In other cases, current rules may not give users, business partners and investors enough confidence about basic safeguards, such as how customer money is protected, what information is provided to users, how reliable a service is, and who is accountable when problems occur.
68. We have heard from some providers that clearer and more consistent baseline rules could make it easier to demonstrate credibility to partners and investors. Clearer baseline rules would not remove the need to meet reasonable risk, security and technical requirements set by networks and counterparties. However, they could reduce

duplication, improve transparency, and support confidence that similar payment services meet similar minimum standards.

Where access and commercial arrangements may create barriers

69. Some providers report barriers in the commercial arrangements they need in order to operate and grow. This can include the ability to open or operate bank accounts, access to payment processes such as clearing and settlement through a sponsoring bank or other provider, or the need to meet participation requirements set by card networks or other system participants.
70. These issues matter for providers that depend on banking services to hold or move customer funds, or to connect with payment services. If access is delayed, restricted, withdrawn or made too expensive, this can affect whether a provider can launch, continue, or scale a service.
71. Recent changes by the Reserve Bank to expand access to the real-time gross settlement system ESAS may reduce one barrier for some providers.⁷ However, ESAS access is only one part of the picture. Providers also need to be able to connect to key payment networks and meet their entry rules and technical requirements, and they often rely on commercial arrangements with banks or other partners to do that.

The rules for payment services using digital tokens may be limited or fragmented

72. Payment services that use digital tokens are another area where the current rules and protections may be limited, fragmented or difficult to compare in practice. In a number of other countries, more explicit rules are being developed for activities such as stablecoins, custody and related payment activities, including where those services are used for payments or cross-border transfers.
73. In New Zealand, what rules and protections apply can depend on what the token represents (i.e. its economic substance) and how the product or service is structured. In some cases, that means only baseline or general rules apply, rather than a set of rules designed specifically for payment services using digital tokens. This can be particularly important where a platform offers both traditional regulated products and digital tokens in one place, and the customer experience looks similar even though protections may differ.
74. These issues also connect to consumer protection (discussed further below in section 3.2). Where protections are fragmented, limited, or hard to compare, it can reduce trust and confidence in payment services and make it harder for new services to scale or be widely adopted. It may also mean New Zealand misses opportunities for innovation and customer benefit where providers face avoidable uncertainty or need to design around rules that were not built for payment services using digital tokens.

⁷ On 27 March 2025, the Reserve Bank's board approved revised ESAS access criteria, and on 31 March 2025 the Reserve Bank announced that eligibility will broaden to more non-bank entities in phases (potentially including non-bank payment services providers).

Cross-border and trans-Tasman issues

75. Some payment service providers operate across both New Zealand and Australia, or rely on Australian partners, investors, or group structures. Many providers also support cross-border payments more broadly, including remittances and payments relating to international trade. Where regulatory approaches differ unnecessarily, firms may face duplicated compliance costs, added complexity, and barriers to scaling across borders.
76. This is one reason trans-Tasman alignment may matter. Where it is appropriate and proportionate, closer alignment with Australia could reduce unnecessary friction, support cross-border services and investment, and make it easier for firms to operate across both countries. This is consistent with the broader Single Economic Market objective of making it easier to do business on both sides of the Tasman through closer regulatory coordination.
77. Section 4.4 includes further information about what closer alignment might look like, and specific questions about this issue.

Question for businesses and consumers

6. Do you feel you have enough choice of payment options, and are prices and service levels improving over time? If not, what are you noticing?

Questions for payment services providers

7. In your view, what are the main barriers that have slowed the launch or growth of payment services in New Zealand? If possible, please give examples and explain what the impact has been (for example extra costs, delay, reduced investment, or a decision not to launch or scale).
8. What barrier(s) would make the biggest difference to address first, and why?

3.2 Where consumer and business protections may fall short

78. As more consumers and businesses use new types of payment services (including non-bank services), they should be able to rely on protections that are clear, proportionate, and matched to the risks involved.

Possible gaps in today's protections

79. As discussed in section 2, New Zealand does not have a single consistent set of provider-level rules for payment services. Instead, protections can vary depending on the type of service, how it is structured and who provides it. In many cases, this means that only limited or baseline protections apply to payment services, rather than protections designed specifically for holding or moving customer money.

80. Some possible gaps include:
- a. **No general safeguarding or “client money” rules for customer money or stored balances held by non-bank providers.** Client money rules under financial markets legislation are generally designed to apply to the acquisition or disposal of regulated financial products, and will not usually apply to payment services. There is currently no single set of provider-level rules requiring customer money to be segregated, safeguarded or protected if a non-bank provider fails.
 - b. **No general requirement for providers to give users clear, consistent information about key features and risks.** This could include things such as fees, what happens to money held in a wallet or stored balance, and what protections apply. While providers are generally required not to mislead or deceive people or make false or misleading representations, there are no provider-level rules that set consistent disclosure requirements across the payment service sector. Without clear and comparable information, it may be difficult for users to compare services and make informed choices.
 - c. **No single set of conduct expectations applying across payment services more generally.** There is no provider-level framework setting clear baseline expectations about how payment service providers should treat users, backed by ongoing supervision and enforcement by a regulator.
81. Taken together, these gaps can make it unclear who carries the risk when something goes wrong. Depending on how a service is structured, losses from provider failure, operational outages or other errors may fall on consumers or businesses, rather than on the provider. Responsibility may also be spread across multiple parties (such as the payment service provider, a sponsoring bank or other intermediaries), making it harder for users to understand who is accountable and what remedies are available.

Why these gaps may matter

82. Many providers, including banks, invest heavily in reliability, cyber security and fraud prevention. Other rules and requirements also apply, such as privacy and data rules. However, minimum expectations are not always consistent or visible across different types of payment services and providers.
83. This can create uncertainty for users, business partners and investors about whether providers have appropriate protections in place to manage operational failures, cyber incidents or fraud risks, and about who is responsible when problems occur.
84. Trust arrangements (discussed in section 2.3) can provide some protection for customer money held by non-bank providers, especially for stored value services. However, trust arrangements can vary in their design and operation, and they do not provide the same level of consistency, visibility or assurance as clear sector-wide rules and monitoring. Where protections are unclear, users may end up relying more on complaints processes or court action to resolve problems.

85. Without more consistent provider-level rules across payment services, regulators may have more limited ability to monitor trends, identify emerging risks, or respond early to issues that affect multiple providers (for example, repeated outages, weak safeguarding practices, or patterns of harm). This can place more of the burden on individual users to identify problems and seek redress after the fact.
86. New Zealand already has strong rules in place for critical back-end systems and infrastructure (for example, systems overseen under the FMI Act). However, those rules are not the same as a set of provider-level protections applying more generally to front-end payment services offered to people and businesses.
87. Over time, less clear or less consistent provider-level rules may also increase the risk that higher-risk providers choose to operate in New Zealand. This could increase the risk of consumer harm and wider costs if failures occur.

Both stored value and payment facilitation services could pose risks

88. Stored-value services are often seen as higher risk because they involve holding customer balances. Some products also offer interest or use bank-like language, or refer to protections such as the DCS, which can make them feel similar to a bank account. As discussed in section 2.3, the DCS does not apply to payment service providers that are not licensed deposit takers. References to the DCS or other bank-like framing may make it harder for users to understand what protections apply in practice.
89. Payment facilitation services may appear to be lower risk because they do not usually hold customer money for long. However, they can still create risks, especially when processing large amounts of money.⁸ These risks can include outages, errors in processing or reconciliation, and uncertainty about who is responsible for putting things right when a problem has occurred.
90. We recognise that providers have strong commercial incentives to maintain reliable services and protect their reputation. Even so, these incentives may not always be enough to ensure consistent minimum safeguards across the sector, especially where risks fall on users or the wider system. Rules and oversight cannot prevent all outages or losses, but they can reduce the likelihood and impact of problems and improve transparency, preparedness, incident response, and accountability when issues occur.

Digital token payment services raise additional questions

91. Payment services that use digital tokens (such as stablecoins) can look familiar to users (for example, a balance in an app that can be spent or transferred). However, the way these products and services are designed behind the scenes can differ in ways that matter for risk and what protections apply. In practice, similar-looking services may be treated very differently by banks, business partners, investors and customers, depending

⁸ Australia's *Payments System Modernisation* consultation material highlights similar concerns, noting that payment facilitators can process millions of dollars without mandatory custody or reconciliation requirements: <https://treasury.gov.au/policy-topics/banking-and-finance/payments-licensing-reforms>.

on what the token represents, how it is backed, how cash-out works, and who controls the customer's value.

92. Some providers will be covered by AML/CFT rules as “virtual asset service providers”. These rules are mainly focused on preventing financial crime. They do not, on their own, provide protections for users (for example around safeguarding, clear information, or expectations for how providers must treat customers). This can leave users uncertain about what protections apply and who is responsible when something goes wrong.
93. Tax reporting rules may also affect some digital token-based payment services. From 1 April 2026, New Zealand is implementing the OECD Crypto-Asset Reporting Framework (**CARF**). CARF is aimed at tax transparency in the crypto-asset sector. It can apply to some providers involved in exchanging or converting digital tokens for customers, but it does not apply to all digital token-based payment services. Like AML/CFT rules, CARF does not create a broader consumer protection or conduct framework for payment services.
94. Some of the main issues that may arise for digital token-based payment services include:
 - a. **Governance, custody and control:** The way tokens are governed (such as smart contract rules) and held (such as wallet providers) can materially affect consumer outcomes. Issuers or wallet providers may have varying degrees of control over the token, record-keeping, and what consumer remedies are available if the provider fails. It can also be unclear who is responsible when several firms sit in the chain, or where responsibility is spread across platform operators, developers, or automated code.
 - b. **Reserve assets and cash-out (redemption):** Stablecoins seek to maintain value by having a cash-out value (such as 1 USD) and being backed by reserve assets. Some issuers hold the money in a bank account. Others invest that money in assets that can be sold quickly (such as US government bonds), which may increase the risk to consumers. How “cash-out” works is also important. For example, can a customer swap tokens back into money quickly and at the stated value, and are there fees, limits, delays, or conditions that apply? This can also depend on the quality and liquidity of any backing assets, especially in stressed conditions.
 - c. **Similar-looking products can carry different risks:** As well as different types of stablecoins, some tokens may have no inherent value (e.g. are not asset-backed). Tokens are often exchanged on a platform that hosts a variety of different tokens. Even where the user experience looks similar, the tokens have very different risks and the protections and remedies can differ materially.
 - d. **When payment products start to look like an investment or savings product:** Some services may offer returns for holding a token balance (for example “yield” on a stablecoin or locking (“staking”) your digital tokens in order to earn rewards on certain cryptocurrencies). This can change why people hold the balance and can affect expectations about safety and protections, depending on how any returns are

generated. Overseas approaches differ on whether payment-like stablecoins should pay yield or other rewards at all, or only under tight conditions.

- e. **Mistakes, fraud, and disputes:** In some token-based models, once a transfer is sent it can be difficult for consumers to have the transaction reversed. This can affect how mistaken payments, fraud, and disputes are handled, who bears losses when something goes wrong, and when a transfer should be treated as final.
 - f. **Cross-border features and alignment:** Token-based payment services are often cross-border, with key service providers (such as issuers, custodians, or liquidity providers) located offshore. Differences between jurisdictions can affect consumer outcomes, business certainty, and the ability for services to partner and scale.
95. The FMA's recent consultation on tokenisation highlighted similar issues, including fragmented rules, uncertainty, and the importance of clear responsibilities and safeguards as token-based activity grows.⁹ As noted earlier, we are coordinating with the FMA as part of our wider cross-agency work on payments and digital assets.
96. We are interested in whether general rules for all payment services would be enough for these services, or whether some token-based models raise additional issues that may need more specific expectations.

Inclusion and fair access

97. We are also interested in whether today's rules and market practices support inclusion and fair access across different user groups. We want to understand whether any impacts (positive or negative) fall disproportionately on particular communities or particular types of users (for example, small businesses, people with limited digital access or people who rely on cash alternatives).

Questions for everyone

- | | |
|-----|---|
| 9. | Overall, do you think protections for people and businesses using payment services are clear, strong enough and reasonably consistent across different providers and services? Why or why not, and can you share examples and impacts?

Examples of areas you could comment on include keeping customer money or stored balances safe, clear information for users, fair treatment by providers, reliability and resilience, responsibility when problems occur, and how losses or disputes are dealt with. |
| 10. | Do payment services and the protections around them work well for different groups of users (for example, small businesses, or people with different levels of digital access)? If not, what barriers or impacts do you see, and for whom? |

⁹ See the FMA's website for a copy of the report and collated submissions:
<https://www.fma.govt.nz/business/focus-areas/consultation/tokenisation-in-financial-markets/>.

Question for providers or users of digital tokens

11.

What are the most important risks or uncertainties with token-based payment services in practice? What would make it clearer what protections apply and who is responsible when something goes wrong? Please give examples where you can.

Examples of areas you could comment on include custody or control, cash-out (redemption), any “yield” features, what happens when something goes wrong, and cross-border interoperability or alignment.

3.3 If nothing changes

98. If the rules for payment services in New Zealand stay as they are today, then we think there are the following risks over time:
- a. People and businesses may see fewer improvements in payment services than they otherwise would. There may be less pressure to reduce fees, improve reliability, speed up payouts, or offer better alternatives, and new services may be slower to enter and grow.
 - b. Protections for users may remain uneven or unclear across different payment services. People and businesses could have strong protections in some services but weaker protections in others, even when the services look similar. This can make it harder to understand what protections apply and who is responsible when problems occur.
 - c. New Zealand may face barriers to cross-border services and investment if our rules are less aligned with key overseas markets (especially Australia).
99. We expect some payments innovation will continue even if no changes are made. New providers are likely to keep entering the market, and developments such as regulated open banking are intended to support new ways to pay and new services built on secure, customer-authorized data sharing.
100. However, if the rules for payment services remain unclear or uneven, innovation may be harder to scale and sustain. For example, providers may spend more time and money working out which rules apply, designing around different interpretations, or relying on case-by-case commercial arrangements to operate. Where protections are inconsistent or hard to explain, users and business partners may be less willing to switch to or adopt new services, even if the user experience looks attractive.
101. In short, doing nothing does not mean nothing changes, and new services are still likely to emerge over time. But doing nothing may mean that improvements are slower, less consistent and harder to trust than they need to be. It may also mean that users continue to find it difficult to compare services, understand what protections apply, and choose the service that best meets their needs.

Questions for everyone

12.

If nothing changes about the rules that apply to payment services, how do you think payment services in New Zealand will develop over the next 2-3 years and over the longer term? For example, what might happen to costs and choice, new services entering and growing, and user confidence in protections and responsibility?

13.

Are there any other risks or concerns with payment services, now or in the future, that regulators should consider and that we have not already covered? Please give examples if you can. This could include risks for users, providers, or the wider financial system.

Section 4: Options for future rules for payment services

At a glance

This section looks ahead. It sets out possible objectives for any future rules for payment services, what those rules could cover, and different ways they could work. It also explains that any future approach would need to fit with other work already underway, including open banking, ESAS access changes, and the Reserve Bank's payments modernisation work.

4.1 Possible objectives

102. By “objectives”, we mean the outcomes the Government would be trying to achieve, if it decided to make changes. Objectives matter because they help test different options and trade-offs. For example, some choices may place greater emphasis on protecting users, while others may do more to support new services to enter and grow. Clear objectives help ensure any future changes are targeted, proportionate and still work well as payment services change over time.
103. If the Government decides to progress further work after this consultation, we think any future approach would likely need to meet the following objectives:
- a. **Be clear and easy to apply.** Rules should be easy for providers and users to understand and apply in practice. They should focus on what a service does (not the technology it uses). They should apply in a way that makes sense for the level of risk involved, so that similar services face similar requirements and higher-risk services face stronger expectations.
 - b. **Support reliable, efficient and resilient payment services.** Payment services should be reliable and work well in day-to-day use, including during periods of stress or disruption. This could include clear expectations around keeping customer money or stored balances safe, planning for operational problems, and clear responsibility and accountability when problems occur.
 - c. **Help users understand and trust payment services.** Users of payment services should be able to understand how a payment service works, what protections apply, what risks they face, and who is responsible if something goes wrong. Clear information, fair treatment and effective ways to resolve problems can help build trust and confidence in payment services.
 - d. **Support competition, innovation and new services.** Rules should not create unnecessary barriers for new providers or new services. Clear and consistent expectations can reduce uncertainty, lower compliance costs, and support investment. Any future framework should be able to adapt as payment services, business models, and user needs change.
 - e. **Avoid unnecessary barriers to cross-border services and investment.** Payment services often operate across borders, including for remittances and international trade. Where it is appropriate and proportionate, rules should avoid unnecessary

differences that make it harder or more expensive for firms to offer services in New Zealand and other countries, including Australia.

- f. **Align well with other potential reforms to the payment system.** Any future approach would need to work well alongside other reforms already underway or planned, including regulated open banking, ESAS access changes, and the Reserve Bank's payments modernisation work. It should also avoid unnecessary overlap with rules for back-end systems or any future prudential regulation.

Questions for everyone

- | | |
|-----|---|
| 14. | Do the proposed objectives look like the right goals for any future work on rules for payment services? What would you change, and why? |
| 15. | If we cannot achieve everything at once, which objectives should be prioritised, and why? |

4.2 What would be covered and how

104. This section looks at what a future set of rules could cover, and where the boundaries might sit.

What would be covered?

- 105. One option is to focus on the service the provider delivers to customers (the payment service activity), rather than what type of organisation the provider is (for example, a bank or a non-bank provider). This could help ensure that similar payment services face similar baseline rules.
- 106. On this basis, a future approach could cover the two broad types of payment services described earlier:
 - a. payment facilitation services (services that help a payment happen, such as initiating or processing payments)
 - b. stored-value services (services that hold a balance for the purpose of making future payments).
- 107. This could apply whether or not the provider also offers other services such as lending or taking deposits. One question is whether New Zealand needs a clearer category for providers that hold or move customer funds for payment purposes without being deposit takers.

How do we ensure the rules still work for new services?

- 108. A future set of rules should ideally be able to keep working as business models and technology change. That means the rules should focus on what a service does and the risks it creates, rather than the specific technology it uses. The aim is that if a new type of

payment service emerges in future, it should fit within the framework without needing new tweaks or special cases.

109. That is one reason we are asking whether existing legal definitions and categories still fit newer payment service models, including services that use digital tokens. We are interested in whether the same baseline rules would be enough for those models, or whether some token-based services might need additional rules or expectations, for example on custody, changing tokens back into money, or responsibility when something goes wrong.

How would the rules apply differently depending on risks or size?

110. Another key design question is proportionality. A future approach may need to apply lighter rules to lower-risk or smaller services, and stronger rules to higher-risk or larger services. This could depend on factors such as the type of service, whether customer money or value is held (and for how long), how large the service is in practice (for example, the size of customer balances or transaction volumes), or how important the service becomes to users or other providers.

Questions for everyone

16. Do you agree that any future rules should apply based on what a provider does (the payment service), rather than what type of organisation it is (for example, a bank or a non-bank provider)? Why or why not?

17. Should any future rules apply differently depending on the risk or size of the service (lighter rules for lower-risk or smaller services and stronger rules for higher-risk or larger services)? Why or why not?

Questions for payment services providers

18. If rules should apply differently depending on risk or size, what is the most practical way to measure risk or size for payment services, and why? (For example, customer balances held, transaction volumes, whether customer money/value is held and for how long, customer type, reliance by other businesses/providers, cross-border activity, or outsourcing.)

19. Are there newer payment service models where today's legal definitions and categories do not fit well in practice (for example, where it is unclear which rules apply, where more than one set of rules seems to apply, or where similar services face different rules)? Please give examples and the practical impact.

4.3 Options for different ways the rules could work

111. This document does not propose a preferred approach to the rules for payment services. At this stage, we are interested in your initial views on which types of approaches might

work best in New Zealand, and why. If further work is taken forward, there may be further consultation on more detailed options later.

112. Possible approaches could include:

- a. **Keeping the current approach** (status quo), while continuing to monitor risks, market developments, and the impacts of related reforms (such as open banking and payments modernisation).
- b. **Making today's rules clearer and more consistent in practice**, for example by issuing guidance or expectations where regulators already have an existing role, developing common templates or standard information for users, or making targeted changes to existing laws. This approach would rely largely on existing regulatory tools and would not, on its own, create a comprehensive provider-level framework for payment services.
- c. **Setting baseline rules through legislation that apply to all payment service activities**, for example, rules about safeguarding customer money or stored balances, clear information for users, service reliability and accountability when something goes wrong. These rules could be designed to scale with risk and size, and could operate with or without a licensing framework.
- d. **Introducing licensing and oversight for some payment service activities**, potentially with tiers or thresholds so that smaller or lower-risk services face lighter requirements and larger or higher-risk services face stronger requirements. This could also provide a clearer regulatory basis for providers that need to hold or move customer funds.
- e. **Combining approaches**, for example, a baseline set of activity-based rules for all payment services, with additional licensing requirements for higher-risk services (such as large stored-value services).
- f. **Using industry standards or co-regulatory models**, where industry develops agreed standards and the Government sets expectations or has backstop powers to step in if needed.

Question for everyone

20. What future approach (or mix of approaches) for payment services do you think could work best for New Zealand, and why?

4.4 How this could fit with other work and cross-border issues

113. If the Government decides to develop new rules for payment services, those rules would sit alongside other changes already underway and potential future changes. The timing and design choices will matter, because different parts of the payment system affect each other and providers may be affected by several reforms at once.

114. Related changes include:
- a. **Regulated open banking.** Regulated open banking is intended to support secure sharing of banking data and payment initiation by accredited providers (with customer permission). As open banking develops, it may expand the range of providers offering payment services and the types of services available. However, open banking providers may still depend on banks or indirect arrangements for accounts, settlement, and other core payment functions.
 - b. **Changes to ESAS access arrangements.** As noted above, the Reserve Bank has decided to broaden eligibility for ESAS in phases. This may change how some non-bank providers can settle payments and how much they need to rely on a bank or other provider to do that step on their behalf.
 - c. **The Reserve Bank’s payments modernisation programme.** The Reserve Bank is leading work on system-level changes to modernise New Zealand’s payments system, which includes work both on system-wide governance and on modernising the domestic payments platform. This work may affect how payment networks operate and how providers connect into them over time.
 - d. **The Deposit Takers Act 2023.** This Act establishes a single prudential framework for banks and other deposit takers. It is relevant because some payment service models, particularly stored value services, can look similar to deposit products in practice. Any future rules for payment services would need to sit clearly alongside the prudential requirements for deposit-taking.
 - e. **Wider banking competition work.** This includes the Government’s response to the Finance and Expenditure Committee inquiry into banking competition, which highlighted barriers to entry and expansion for new providers and the importance of supporting competition, innovation, open banking, and payments modernisation.¹⁰ Any future payment services framework would need to align with this broader direction of travel.
115. We are interested in how any future rules for payment services should be designed and timed so that they work well with these changes and do not create unnecessary overlap or gaps.
116. **The Reserve Bank is also monitoring developments in the payment services sector.** If some business models become larger and more interconnected with the wider financial system, prudential risks may become relevant. By prudential risks, we mean risks relating to the financial soundness of a provider, and, in some cases, risks to the wider financial system. While MBIE is not responsible for prudential regulation, we are interested in whether any future payment services framework should take account of that possibility.
117. In Australia, the proposed regulatory framework for payment services includes prudential regulation of certain larger stored value providers by the Australian Prudential Regulatory

¹⁰ The Government’s response is available here: <https://www.treasury.govt.nz/news-and-events/reviews-consultation/finance-and-expenditure-committee-inquiry-banking-competition>.

Authority. To the extent that prudential risks are also meaningful in the New Zealand context, the Reserve Bank may wish to consider if a similar approach could be warranted here.

118. **Cross-border issues also matter for payment services in several ways.** Payment service providers often:
 - a. support cross-border payments such as remittances and payments related to international trade
 - b. operate across multiple countries, including New Zealand and Australia
 - c. rely on offshore partners, networks or infrastructure to provide their services.
119. Given New Zealand's profile as a small, open and trading economy, frictions in cross-border payment services can have wider impacts on businesses and households.
120. Regulated open banking is currently focused on enabling data sharing and payment initiation within New Zealand and does not, in itself, address cross-border payment use cases. Providers that operate across jurisdictions, including Australia and New Zealand, may therefore face differences in open banking frameworks and related regulatory requirements when offering similar services in each market.
121. Digital token-based payment services are often cross-border in nature, with issuers, custodians, or liquidity providers located offshore, so differences between jurisdictions can affect both consumer outcomes and how easily firms can partner and scale.
122. Differences between rules in different countries can affect payment services in practice. For example:
 - a. providers can face duplicated or inconsistent compliance requirements when operating across borders
 - b. differences in definitions, safeguarding expectations or access settings may require services to be redesigned for different markets.
123. These frictions can make it harder for providers to scale, partner, or offer the same service across countries.
124. Where it is appropriate and proportionate, closer alignment with Australia could help reduce these frictions. This could include reducing unnecessary differences in how payment services are defined, what baseline safeguarding requirements apply, and how larger stored-value services are treated. It could also include greater consistency in exclusions, exemptions, or access settings, so that firms operating across both countries do not need to redesign services or compliance processes for the same activity.
125. At the same time, there may be areas where New Zealand's circumstances differ, or where different approaches could better support innovation, competition, or user outcomes.
126. We are interested in views on:

- a. where closer alignment with Australia would be most helpful in practice, and where different approaches may be justified
- b. how any future payment services framework should be designed so that it supports efficient and reliable cross-border payments.

Question for everyone

- 21.** Do you have views on whether any future payment services framework should take account now of possible prudential risks that may arise over time? If not, what signs or thresholds would suggest that prudential rules or oversight may be needed later?

Questions for payment services providers

- 22.** How should any future rules for payment services be timed and designed so they fit well with other reforms (for example, regulated open banking, expanded ESAS access and payments modernisation)? Are there any “do this first” or “don’t do this at the same time” issues we should watch?

- 23.** If you operate across New Zealand and Australia (or rely on Australian partners), what practical frictions do you face today? Where would closer alignment make the biggest difference (for example, duplicated compliance steps, inconsistent definitions or different expectations for similar services)?

- 24.** How should any future payment services rules support cross-border payments (such as remittances or payments related to international trade)?

- 25.** If you have experience with payment service rules in other countries (including Australia), what parts work well in practice and what parts do not? What lessons should New Zealand take from these experiences?

Section 5: Next steps

After consultation closes, we will use the feedback we receive to advise Ministers on:

- whether there is a case to change the rules for payment services
- what outcomes should be prioritised if further work is needed
- how well today's rules are working in practice, including where they may be unclear, inconsistent, overlapping, or leave gaps
- what types of options could work best in New Zealand (including options that involve changes to laws and regulations, and options that do not)
- how any future approach would need to fit with other work already underway
- where closer international alignment, particularly with Australia, could have benefits.

If Ministers decide further work is needed, we expect it would be done in stages. This could include:

- developing more detailed advice on objectives and options, based on submissions and available evidence
- if needed, consulting again on more detailed proposals, including how any approach would work (for example, how it would scale with risk and size, and what transition arrangements might be needed).

We will also continue to work closely with other agencies, including the Reserve Bank, the FMA, the Commerce Commission and the Treasury. This is to help avoid duplication, take account of relevant work underway, and support a coherent and joined-up approach across the payments system and the wider payments landscape.

Question for everyone

26.

Have we missed anything important? Please share any issues, evidence, data sources, or practical experiences that you think MBIE should consider when deciding whether the rules for payment services should change.

Annex 1 – Questions

We note you may answer any question that you have views on, whether or not you are part of the expected audience.

Questions for everyone	
1.	Do you agree with our description of payment services? If not, what would you change?
2.	On a scale of 1 (not clear) to 5 (very clear), how clear is it what rules and protections apply to the payment services you provide or use?
3.	On a scale of 1 (poor fit) to 5 (very good fit), how well in practice do the current rules and protections fit the payment services you provide or use?
4.	Please explain your answers to question 2 and 3. For example, are there areas where it is hard to tell what rules or protections apply, where similar services are treated differently, or where the current rules do not fit the activity well or create unnecessary costs or barriers? Please give examples. If there are areas where the current rules are clear and work well, please tell us about those too.
9.	Overall, do you think protections for people and businesses using payment services are clear, strong enough and reasonably consistent across different providers and services? Why or why not, and can you share examples and impacts? Examples of areas you could comment on include keeping customer money or stored balances safe, clear information for users, fair treatment by providers, reliability and resilience, responsibility when problems occur, and how losses or disputes are dealt with.
10.	Do payment services and the protections around them work well for different groups of users (for example, small businesses, or people with different levels of digital access)? If not, what barriers or impacts do you see, and for whom?
12.	If nothing changes about the rules that apply to payment services, how do you think payment services in New Zealand will develop over the next 2-3 years and over the longer term? For example, what might happen to costs and choice, new services entering and growing, and user confidence in protections and responsibility?
13.	Are there any other risks or concerns with payment services, now or in the future, that regulators should consider and that we have not already covered? Please give examples if you can. This could include risks for users, providers, or the wider financial system.
14.	Do the proposed objectives look like the right goals for any future work on rules for payment services? What would you change, and why?

15.	If we cannot achieve everything at once, which objectives should be prioritised, and why?
16.	Do you agree that any future rules should apply based on what a provider does (the payment service), rather than what type of organisation it is (for example, a bank or a non-bank provider)? Why or why not?
17.	Should any future rules apply differently depending on the risk or size of the service (lighter rules for lower-risk or smaller services and stronger rules for higher-risk or larger services)? Why or why not?
20.	What future approach (or mix of approaches) for payment services do you think could work best for New Zealand, and why?
21.	Do you have views on whether any future payment services framework should take account now of possible prudential risks that may arise over time? If not, what signs or thresholds would suggest that prudential rules or oversight may be needed later?
26.	Have we missed anything important? Please share any issues, evidence, data sources, or practical experiences that you think MBIE should consider when deciding whether the rules for payment services should change.

Questions for businesses and consumers

5.	Have you experienced any problems with payment services (such as fees you didn't expect, delays in getting paid, outages, or scams/fraud)? If yes, what happened? Was it clear who was responsible and what protections applied?
6.	Do you feel you have enough choice of payment options, and are prices and service levels improving over time? If not, what are you noticing?

Questions for payment services providers

7.	In your view, what are the main barriers that have slowed the launch or growth of payment services in New Zealand? If possible, please give examples and explain what the impact has been (for example extra costs, delay, reduced investment, or a decision not to launch or scale).
8.	What barrier(s) would make the biggest difference to address first, and why?
18.	If rules should apply differently depending on risk or size, what is the most practical way to measure risk or size for payment services, and why? (For example, customer balances held, transaction volumes, whether customer money/value is held and for

	how long, customer type, reliance by other businesses/providers, cross-border activity, or outsourcing.)
19.	Are there newer payment service models where today's legal definitions and categories do not fit well in practice (for example, where it is unclear which rules apply, where more than one set of rules seems to apply, or where similar services face different rules)? Please give examples and the practical impact.
22.	How should any future rules for payment services be timed and designed so they fit well with other changes (for example, regulated open banking, expanded ESAS access and payments modernisation)? Are there any "do this first" or "don't do this at the same time" issues we should watch?
23.	If you operate across New Zealand and Australia (or rely on Australian partners), what practical frictions do you face today? Where would closer alignment make the biggest difference (for example, duplicated compliance steps, inconsistent definitions or different expectations for similar services)?
24.	How should any future payment services rules support cross-border payments (such as remittances or payments related to international trade)?
25.	If you have experience with payment service rules in other countries (including Australia), what parts work well in practice and what parts do not? What lessons should New Zealand take from these experiences?

Question for providers or users of digital tokens

11. What are the most important risks or uncertainties with token-based payment services in practice? What would make it clearer what protections apply and who is responsible when something goes wrong? Please give examples where you can.
- Examples of areas you could comment on include custody or control, cash-out (redemption), any "yield" features, what happens when something goes wrong, and cross-border interoperability or alignment.