I.3ZE

New Zealand House of Representatives
Te Whare Māngai o Aotearoa

Finance and Expenditure Committee
Komiti Whiriwhiri Take Pūtea, Take Whakapaunga Pūtea

54th Parliament
September 2026

Briefing on the response to the inquiry into banking competition

Second interim report

Presented to the House of Representatives
by Ryan Hamilton, Chairperson

Contents

Briefing on the response to the inquiry into banking competition

Recommendation
The Finance and Expenditure Committee has considered a briefing on the response to the inquiry into banking competition, and recommends that the House take note of its report.

Introduction

This briefing follows up on our inquiry into banking competition, which we reported to the House in August 2025. The inquiry examined the state of banking competition in New Zealand. This is the second report presented on this briefing.[1]

Our inquiry report contained 19 recommendations to the Government. Some of our recommendations contained suggestions aimed at regulators, banks, non-bank deposit takers (NBDTs), and financial technology companies (fintechs). We asked the Government to respond to all the recommendations in our report. The Government agreed with all the recommendations except for recommendations 5, 9, and 13, with which it partially agreed.[2]

We indicated in our inquiry report that we would request six-monthly updates from banking regulators and entities to discuss how they are progressing our recommendations and other work they are doing to enhance banking competition in New Zealand. We held our first round of follow-up hearings in February 2026.

About this report

In July 2026, we wrote to regulators and banking-related entities asking them to provide, in writing, answers to written questions (See Appendix B). We met with a sample group of regulators and entities at hearings between 19 August and 2 September 2026 (See Appendix A). These hearings supplemented the written information we received.

This report is a brief summary of the themes of our hearings.[3] As this is the last opportunity for our committee to consider this briefing, we hope that this report provides guidance and suggests lines of follow-up questioning to the incoming Finance and Expenditure Committee for continuing this work.

---

1 Finance and Expenditure Committee: report on our Inquiry into banking competition, and first interim report on the Briefing on the response to the inquiry into banking competition.

2 The Treasury, Government Response to the Finance and Expenditure Committee Inquiry into Banking Competition Information Release, 19 December 2025.

3 The full range of views expressed are in the written evidence, transcripts, and recordings of our hearings, which are available on the Parliament website (see Appendix A for links).

Regulatory burden and compliance costs

- We asked the Council of Financial Regulators (CoFR) for an update on its work to remove regulatory duplication and reduce compliance costs for banking-related entities.[4] CoFR told us that its first step has been ensuring that it has proper coordination so that, when developing its work programme, CoFR and its member agencies will not need to ask for the same information at different opportunities. We heard that, in particular, this will help smaller deposit takers that do not have the same resources as larger banks to respond to different requests from different regulators.
- Westpac told us that although the coordination of regulatory and compliance obligations has improved, there is still work to be done. We heard that, even as a well-resourced bank, Westpac still has a “hefty workload” ahead of it. Similarly, ANZ told us that complying with new regulation and new banking standards can cost a lot of money, which it must balance against operational costs and investing in innovation. ANZ stated that this regulatory burden is difficult despite being New Zealand’s largest bank, and it acknowledged that disproportionate burden for smaller deposit takers.
- The Non-Bank Deposit Takers Association told us that NBDTs have strong regulation and prudential supervision, which supports a safe and stable system. However, it emphasised the importance of regulatory requirements for NBDTs being proportionate to the size and scale of institutions. We heard that larger banks have a larger asset base over which to spread their costs. The NBDT Association told us that there is no question that costs are escalating and that is putting pressure on all its members.

Industry levy

- As part of Budget 2026, the Minister of Finance announced the Government’s intention to introduce a prudential levy to fund the Reserve Bank’s prudential regulation and supervision of deposit takers, insurers, and financial market infrastructures. The Reserve Bank’s consultation on a prudential levy closes on 16 October 2026. Final Cabinet decisions are expected in early 2027.[5]
- The Reserve Bank has estimated that it will need to collect $37.8 million from the deposit-taking sector each year. The Reserve Bank’s consultation paper has outlined four options for setting levies for different deposit-taking entities. The Reserve Bank’s preferred option, Option 4, would have a fixed component and a flat rate component.
- The NBDT Association told us that the proposed industry levy may not seem like a significant amount of money, but it adds to NBDTs’ costs which would be very significant across smaller asset bases.

Fixed costs may be a barrier to meaningful competition

- We heard that fixed costs may be preventing smaller players from entering and meaningfully competing in the market. The NBDT Association told us that for small

[4] The Council of Financial Regulators is made up of the Reserve Bank of New Zealand, the Financial Markets Authority, the Treasury, the Commerce Commission, and the Ministry of Business, Innovation and Employment. It is co-chaired by the Reserve Bank and the Financial Markets Authority.

[5] Beehive, Financial industry to bear the cost for regulation, 28 May 2026, and Reserve Bank of New Zealand, Consultation on a prudential levy opens, 11 August 2026.

organisations, access to infrastructure may be technically feasible, but it is often not practical or commercially viable.
- The NBDT Association told us that the fixed costs associated with the Exchange Settlement Account System (ESAS) and Confirmation of Payee—in addition to the proposed industry levy on deposit takers—disproportionately affect smaller organisations. We heard that, combined, these initiatives add a high fixed-rate cost to the participation of smaller organisations within the deposit-taking sector. The NBDT Association emphasised that if NBDTs do not make money, they will fail. It said that struggling NBDTs are often bought out by bigger banks, ultimately reducing competition in the sector.

Access to ESAS

- The Exchange Settlement Account System (ESAS) is New Zealand's principal payment settlement system used by approved banks and non-bank entities to settle their payment obligations on a real-time gross settlement basis.
- In September 2025, the Reserve Bank opened the second and final phase of the ESAS application process. Since then, it has been accepting applications from all entities that meet the new access criteria.
- The NBDT Association told us it was pleased that the Reserve Bank has made ESAS available to the NBDT sector. We heard that it costs $8,000 to apply for ESAS and $2,000 per month to participate in ESAS. The NBDT Association said that the fixed rate price of ESAS means that many NBDTs have determined that it is not financially viable to access ESAS.
- After our hearing, the Reserve Bank announced that it has approved entry to ESAS for the Nelson Building Society—the first non-bank ESAS account holder.[6]

Confirmation of Payee

- Confirmation of Payee is a service for New Zealand-based payments that checks whether account names and account numbers match before making a payment. It reduces the risk of making a mistake and paying the wrong person. It can also help to avoid scams.
- The NBDT Association said that Confirmation of Payee is a great initiative that helps protect people when making payments. However, it said that the pricing model for Confirmation of Payee has a fixed rate price and a variable rate price, making it uneconomic for many NBDTs to use. The NBDT Association said that it has been able to negotiate a better price and now has Confirmation of Payee. We heard that, despite this, the fixed rate price is still disproportionate for smaller players.
- Revolut told us that, although Confirmation of Payee is an important security milestone, New Zealand's framework carries significantly higher fixed costs than international equivalents. We heard that Confirmation of Payee has a fixed cost component and a per request component, which is around 0.6 cents per request. Revolut told us that this is

[6] Reserve Bank of New Zealand, RBNZ opens final phase of Exchange Settlement Account System applications, 23 September 2025, and RBNZ approves entry of first non-bank member to Exchange Settlement Account System (ESAS), 8 September 2026.

over 10 times the cost it sees in other jurisdictions and that it is a cost that Revolut must absorb.

Use of words “bank”, “banker”, and “banking”

- In June 2026, the Reserve Bank announced that all deposit takers licensed under the Deposit Takers Act 2023 (DTA) will be able to call themselves banks.[7] When the DTA comes into full effect on 1 December 2028, all licensed deposit takers, including entities currently licensed as NBDTs, will be able to use these restricted words.
- The NBDT Association told us that there has been more interest from new entrants since the DTA was passed. We heard that the changes to the use of the word “bank” have increased interest, with overseas and domestic businesses now looking to enter the market.
- The NBDT Association and Revolut acknowledged that recent changes, such as the changes to capital settings, access to ESAS, and the use of the word “bank” are “big deals” for NBDTs and fintechs and will make a difference. However, the NBDT Association encouraged us to monitor the uptake of these initiatives to ensure they are effecting the change that our inquiry recommended, and advocate for further “recalibration” if necessary.

2025 capital review

- Following its review of capital settings, the Reserve Bank has worked to refine risk weights for agricultural lending, small to medium enterprise (SME) lending, and lending to Community Housing Providers (CHPs) and Cooperative Housing entities. It told us that the new requirements will come into effect in stages, with some accelerated risk weights (residential mortgages, SME and agricultural lending, and community housing) and standard updates across banks and NBDTs taking effect from 1 October 2026.
- The Reserve Bank told us that it is considering feedback on additional risk-weight categories, including infrastructure lending and securitisation exposure, and will be making announcements about this by the end of 2026.
- The NBDT Association told us that the 1 October changes to risk weights will help to level the playing field with the main banks and allow NBDTs to be more competitive, especially in housing. Similarly, Kiwibank reiterated that the changes to capital requirements and risk weights gave Kiwibank the best chance to compete more effectively.

Māori access to capital and lending on collectively owned land

- Our inquiry report recommended that the Government remove unnecessary Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act) compliance barriers faced by Māori trusts. The Government has agreed to remove “mandatory enhanced customer due diligence” requirements from low-risk trusts. We understand

[7] Reserve Bank of New Zealand, RBNZ announces decision on use of the word ‘bank’, 4 June 2026.

that this is being progressed through the Anti-Money Laundering and Countering Financing of Terrorism (Omnibus) Bill.[8]

- ANZ told us that there are still significant delays with the Māori Land Court, which largely relate to its AML/CFT Act obligations. It said that the proposed changes to the AML/CFT Act would allow lenders to take a risk-based approach to lending to trusts, rather than assuming any trust is a high-risk entity.
- Westpac and ANZ both told us about lending on improvements on collectively owned land, rather than the land itself. This allows individuals to buy and live in homes on the land without the land ever being at risk. ANZ told us that it now has much more clarity from the Māori Land Court on lenders' rights in the case of default. Westpac said that it would be very happy to speak directly to anyone having difficulties accessing finance on collectively owned Māori land to see how it can help.

Official Cash Rate pass-through dashboard

- Since August 2025, the FMA has been publishing data on how quickly banks are passing changes in the Official Cash Rate (OCR) on to new and existing customers.[9]
- Concerns about the pass through of OCR changes to retail interest rates emerged early in our inquiry, and the FMA implemented this transparency initiative to help build trust, support informed decision-making, and encourage competition. The FMA told us that as the initiative matures and the data set expands, it will provide even greater visibility of how OCR changes are reflected in mortgage and savings products and support product comparison, informed-decision making, and broader market transparency.
- The FMA told us that although its dataset is only about a year old and it is too soon for comprehensive trend analysis, it has already observed that:
  - the timing of interest rate changes varies between entities
  - new customers on floating rate mortgages often receive interest rate changes earlier than existing customers
  - floating mortgage interest rate and on-call savings account interest rates responses do not always move together.
- ANZ told us that the pace at which it passes on OCR changes depends on a number of factors, since the OCR is not the only variable that goes into mortgage pricing. We heard that, in general, ANZ takes longer to pass on increases to the OCR than decreases. ANZ said that it supports initiatives to improve transparency for customers and committed to continuing to provide data to the OCR dashboard.

Payments New Zealand governance review

- Payments New Zealand told us that, by the end of August 2026, it intended to select an independent reviewer to conduct the review, and expects to receive their recommendations before the end of 2026. We heard that the review will independently assess whether Payments NZ's role, governance arrangements, and participant representation remain fit for purpose as the payments ecosystem evolves.

8 The Anti-Money Laundering and Countering Financing of Terrorism (Omnibus) Bill was introduced to Parliament on 1 September 2026 and awaits its first reading.

9 Financial Markets Authority, OCR Pass Through Transparency, 9 September 2026.

- Emerge called for Payments NZ to be independent.[10] It said that without independent payment systems and infrastructure, market participants must rely on the incumbent banks they are competing with. Emerge noted that the United Kingdom removed banks from control and ownership of the core payments system in 1999—27 years ago.
- On 18 September 2026, Payments NZ announced that it has appointed PwC New Zealand to undertake an independent review of Payments NZ's role, mandate, and governance arrangements.[11] PwC is expected to present its findings and recommendations to the board of Payments NZ by the end of 2026.

Open banking

- Westpac told us about the work it has been doing with POLi. POLi payments allow people to make payments directly from their bank account to a merchant without the need for a payment services provider. Historically, POLi was making those payments through screen scraping, and required users to provide their internet banking login details. We heard that in partnership with Westpac, POLi has started to use secure, bank-approved open banking APIs.
- ANZ told us that a key concern is that the Customer and Product Data Act 2025 (CPD Act), which enables open banking, does not have clear rules on liability of customer redress where a customer suffers loss in a multi-party payment ecosystem. It said that it would like to see a set of standards for third party and fourth party providers to clarify accountability when something goes wrong.
- We discussed whether open banking was creating more opportunities for switching. In December 2025, a record $5.8 billion worth of mortgage lending was switched between banks.[12] Kiwibank told us that there is enough switching happening to keep banks competitive—particularly mortgage lending—but it does not think open banking is a "big driver" behind bank switching.

Payments New Zealand API Centre closure

- We discussed the relationship between Payments NZ and the Ministry of Business, Innovation and Employment (MBIE). After our hearing, Payments NZ announced that its API Centre will cease operating on 30 September 2026.[13] Responsibility for open banking standards management will transfer to MBIE as part of the Government's move to a centralised standards management model under the CPD Act.
- In a follow-up written submission to us, Payments NZ told us that it will work constructively with MBIE to support a smooth transition and maintain continuity for the open banking ecosystem. Payments NZ noted that, although the API Centre will cease operating, Payments NZ's core role remains unchanged.

---

[10] Payments NZ's shareholders are ANZ, ASB, BNZ, Citibank, HSBC, Kiwibank, TSB Bank, and Westpac.

[11] Payments NZ, Payments NZ launches independent governance review, 18 September 2026.

[12] Reserve Bank of New Zealand, New and existing residential mortgage lending by payment type (C32), released 26 August 2026.

[13] Payments NZ, Payments NZ announces closure of API Centre, 21 August 2026.

Suggestion to the incoming Finance and Expenditure Committee

The incoming Finance and Expenditure Committee could consider continuing to follow up on this piece of work. For example, the incoming committee could continue holding six-monthly accountability hearings and/or require regulators and financial entities to report against a set of measurable competition indicators focused on market entry, customer switching, access to infrastructure, lending outcomes, and consumer benefit.

The committee should ensure that reforms are assessed by their impact on competition rather than their implementation alone. This would continue the work of providing an additional level of accountability to the banking ecosystem. It would tie together the major themes from the report: reducing barriers to entry, improving payments access, advancing open banking, supporting Māori access to capital, and ensuring regulatory reforms result in genuine competitive pressure.

To assist the incoming committee, we have outlined some potential areas for follow up below.

1. Require annual competition scorecards from major financial entities

Recommend that banks, NBDTs, fintechs, the Reserve Bank, the FMA, and Payments NZ provide annual public scorecards against agreed competition metrics, including:

- market share gains by challengers
- customer switching rates
- approval times for new entrants
- open banking utilisation
- lending growth to under-served sectors.

2. Track whether regulatory reforms are reducing barriers to entry

Request six-monthly reporting from the Reserve Bank and CoFR on:

- new banking licence applications
- new market entrants
- ESAS applications and approvals
- timeframes for regulatory approvals
- compliance cost reductions achieved.

The committee heard repeatedly that fixed costs and regulatory burden remain barriers, particularly for smaller institutions.

3. Establish a competition impact review of payments infrastructure

Consider a review of:

- ESAS pricing
- Confirmation of Payee pricing
- access to payment rails
- impacts on smaller institutions.

We heard concerns that high fixed costs may discourage participation by smaller competitors despite policy efforts to improve access.

4. Require open banking outcome reporting

Ask MBIE, banks, and accredited providers to report annually on:

- active open banking users
- payment initiation volumes
- customer switching facilitated by open banking
- consumer complaints and liability issues
- number of accredited providers participating.

This would help determine whether open banking is genuinely driving competition and innovation.

5. Monitor Māori access to capital progress

Request joint reporting from lenders, the Māori Land Court, MBIE, and regulators on:

- lending volumes on collectively owned Māori land
- application approval rates
- timeframes for lending decisions
- impacts of AML/CFT reforms
- remaining barriers identified by Māori trusts.

This would ensure reforms translate into improved access to finance rather than simply legislative change.

Appendix A—Committee procedure

We opened this briefing on 19 November 2025 and presented our first interim report on 22 July 2026. We heard evidence from regulators and entities for this report on 19 August, 26 August, and 2 September 2026. We finalised this report on 23 September 2026.

Committee members

Ryan Hamilton (Chairperson from 13 May 2026)
Hon Cameron Brewer (Chairperson and member until 13 May 2026)
Dan Bidois
Hon Barbara Edmonds
Francisco Hernandez (from 11 February 2026)
Nancy Lu
Hon Dr Deborah Russell
Tom Rutherford (from 13 May 2026)
Todd Stephenson
Chlöe Swarbrick (until 11 February 2026)
Rawiri Waititi
Dr David Wilson
Hon Dr Megan Woods

Arena Williams also participated in our consideration of this briefing.

Related resources

The documents we received as advice and evidence for this briefing are available on the Parliament website. Links to the Hansard transcripts and recordings of our meetings are detailed below:

19 August 2026	Hansard transcript and video for: • Council of Financial Regulators • Reserve Bank of New Zealand • Westpac • Payments New Zealand • Blockchain New Zealand • Emerge
26 August 2026	Hansard transcript and video for: • Financial Markets Authority
2 September 2026	Hansard transcript, video 1, and video 2 for: • Non-Bank Deposit Takers Association • Revolut New Zealand • ANZ • Kiwibank.

Appendix B—Written questions to entities

Questions for banks

1. How will you meet the technical, security, and interoperability requirements of the Consumer Data Right Standard — including identity verification, payment initiation reliability, and customer-authorisation safeguards?
2. **Data Portability & Switching:** How will you use standardised customer credit information and machine-readable data formats to actively reduce friction for customers switching banks or loan providers?
3. **Inclusion & Māori Lending:** How are you addressing unnecessary AML/CFT compliance barriers for Māori land trusts and developing lending products tailored to Māori landowners?
4. **Open Banking Readiness:** What concrete steps have you taken to meet the December 2025 open banking designation requirements, and what milestones will you achieve by each quarter between now and full compliance? Is your mandate still clear?

Questions for commercial entities, including banks

5. In your experience, is the current technology for real-time payments safe? Is the underlying technology comparable to other jurisdictions?
6. What experience is New Zealand having with fraud using real-time payments technology?

Questions for the Reserve Bank

7. Given the Government’s expectation that competition be prioritised in prudential settings, what structural or behavioural changes are you prepared to make to reduce concentration and improve contestability in the sector?
8. How are you reducing barriers to entry for fintechs and overseas banks, including access to APIs, ESAS participation, and fair use of the term “bank”?
9. Please provide an update on the Financial Policy Committee’s prudential priorities and what new prudential policy instruments it has available.
10. We are pleased to see that the Reserve Bank has worked to refine risk weights for agricultural lending, SME lending, and lending to Community Housing Providers and Cooperative Housing entities. Has a date been set for the changes to come into effect?
11. What is the Reserve Bank’s view on whether its Group 3 settings are calibrated appropriately?
12. Please provide an update on the Māori access to capital work programme.

Questions for the Reserve Bank and the Financial Markets Authority

13. What specific actions are you taking to increase competitive pressure in a market the Commerce Commission has found to be highly profitable and insufficiently competitive?

Question for the Council of Financial Regulators

14. What specific progress have you made on identifying and reducing duplication and regulatory burden?
15. What are your progress milestones going forward and what does success look like in your current governance work programme?
16. Please provide an update on the effects of consolidating regulatory responsibility for the AML/CFT regime to one department.

Question for Payments NZ

17. Please provide an update on Payments New Zealand's governance review.

Question for the Non-bank Deposit Takers Association

18. What settings would the Non-bank Deposit Takers Association like to see for Group 3 entities?