



COVERSHEET

Minister	Hon Scott Simpson	Portfolio	Minister of Commerce and Consumer Affairs
Title of Cabinet paper	Designating banking under the Customer and Product Data Bill	Date to be published	1 May 2025

List of documents that have been proactively released

Date	Title	Author
April 2025	Cabinet paper: Designating banking under the Customer and Product Data Bill	Office of the Minister of Commerce and Consumer Affairs
2 April 2025	Cabinet minute ECO-25-MIN-0039: Designating banking under the Customer and Product Data Bill	Cabinet Office
20 March 2025	Regulatory Impact Statement and Stage 1 Cost Recovery Impact Statement: Designating the banking sector under the Customer and Product Data Bill	MBIE

Information redacted

YES (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld because it is commercial information.

In Confidence

Office of the Minister of Commerce and Consumer Affairs

Cabinet Economic Policy Committee

Designating banking under the Customer and Product Data Bill

Proposal

1. To seek agreement to progress open banking under the Customer and Product Data Bill (**the Bill**).

Relation to government priorities

2. The Government is committed to promoting competition, because it benefits New Zealanders through greater choice, lower costs, higher quality and more innovation. The *Coalition Government's Q1 Action Plan for New Zealand* includes passing the Bill to promote competition by progressing 'open banking' and 'open electricity'. This work is also part of the Competitive Business Settings pillar of *Going for Growth*.
3. This proposal is part of the Government's response to the Commerce Commission's competition study into personal banking services. It will allow for 'open banking' and enable competition and innovation in the banking sector.

Executive summary

4. The Bill is currently before Parliament and is to be passed before the end of the first quarter. The Bill provides a framework for how a consumer data right will function in New Zealand. The Bill provides an enabling legislative framework but only applies when sector-specific regulations are enacted.
5. This paper seeks agreement to draft regulations that will set the detailed rules for how 'open banking' operates in New Zealand. Open banking is a system that allows consumers to share financial data with trusted third parties, such as financial technology companies (**fintechs**).
6. I propose that the main five banks (referred to as data holders) in New Zealand be required to share relevant data, with the customer's consent, to accredited businesses, such as fintechs.
7. Open banking will help address the lack of competition within the banking sector, by enabling customers to make more informed choices. For example, a customer will be able to share data with a fintech who can provide advice on the most competitive mortgage option.
8. In addition, open banking will enable more innovative products and services. For example, budgeting services that use a consumer's transaction data to provide real time insights to help them manage their finances.

9. The net result should be that Kiwis benefit from greater competition and new and innovative products and services in the banking sector.
10. Currently, officials estimate the set-up of the regime to be Commercial Information, and ongoing annual costs of the regime will range from Commercial Information. I propose these costs are fully recovered through fees and levies to banks and fintechs, which would ensure that the proposal is fiscally neutral to the Crown.
11. If Cabinet agrees to these recommendations, I propose the regulations be issued on or around 4 July, and the designation commence on 1 December 2025. I will report back to Cabinet later this year to seek agreement to the costs, and the approach to fees and levies. In the interim, I propose to establish a new appropriation for this function and request a level of appropriation to establish the regime.

Background

12. The Bill is currently before Parliament and is to be passed before the end of the first quarter. The Bill establishes an enabling legislative framework but only applies when sector-specific regulations are enacted.
13. On 9 May 2024, Cabinet agreed to nominate the banking and electricity sectors to be the first sectors assessed for designation [LEG-24-MIN-0085 refers].
14. The Ministry of Business, Innovation and Employment (**MBIE**) publicly consulted on proposals to designate these sectors in September and October 2024 [ECO-24-MIN-0171].

Designating the banking sector

Open banking is an enabler of competition and innovation

15. Open banking is a system that allows third parties, such as fintechs, to access financial data on behalf of a customer. Fintechs use that data to offer innovative services, such as payments, budgeting and financial advice.
16. Overseas examples of open banking services include:
 - 16.1. more secure and lower cost alternatives to credit and debit card payments;
 - 16.2. personal financial management services that help customers to track spending, set budgets and build savings; and
 - 16.3. services that review transaction data to identify unwanted subscriptions.
17. Open banking is already operating in many countries overseas, including Australia, the United Kingdom and Brazil. In the UK, businesses using open banking have reported saving, on average, 150 hours annually on operational tasks such as processing invoices and financial data, recurring payments and processing refunds¹.

¹ [Payit by NatWest: Open Banking saving UK businesses hundreds of hours annually | Open Banking Expo](#)

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Designating banks is necessary to support the growth of the fintech sector

18. ANZ, ASB, BNZ, Westpac, and Kiwibank have voluntarily agreed to minimum requirements to implement open banking through Payment NZ's API Centre.
19. However, despite recent progress, the overall pace of open banking in New Zealand has been slow compared to other jurisdictions, due to a lack of incentives on banks to invest, and barriers to partnering with fintechs. I am concerned that the current market power of New Zealand's largest banks may continue to undermine the effectiveness of open banking and limit its application and further development:
 - 19.1. Fintechs that wish to access customers' banking data need to negotiate terms of access with each bank separately. This is costly and a failure to agree on terms with any one bank could undermine the fintech's business.
 - 19.2. Fintechs have expressed concerns about the conditions being placed on them by banks, such as security and insurance requirements that are perceived as onerous, which make access expensive or impossible.
 - 19.3. Banks may set excessive fees for data and action initiation requests, above long-run costs.
20. Designating the banking sector is necessary to accelerate the uptake of open banking. This will ensure the incumbent banks are not creating unnecessary barriers to open banking. It will do this by:
 - 20.1. ensuring that banks meet their commitments and performance standards; and
 - 20.2. opening up access to banks' systems to all accredited fintechs, rather than access being set by terms agreed individually with banks.
21. Designating the banking sector would overcome these barriers and cut through industry problems for the broader benefit of New Zealand customers and innovators. Banks will not be able to opt out or contract out of legislative requirements.

Customers will have greater control and choices

22. My proposal will empower customers to have more control over their own data and to obtain value from it. For example, a customer might use open banking to share their banking transaction information with a financial adviser to facilitate a mortgage application process.
23. It will also provide consumers with safer and more reliable alternatives to existing methods for accessing their banking data or making online payments.
24. Giving consumers more confidence and control over their banking data will make it easier for them to shop for services and give them access to new and innovative products. In doing so, it will support competition, productivity and economic wellbeing.

I recommend designating the five largest banks

25. I propose that the regulations designate specific banks to require:

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- 25.1. ASB, ANZ, BNZ and Westpac to provide customer account information and payment initiation from 1 December 2025; and
- 25.2. Kiwibank to provide payment initiation from 1 June 2026, and customer account information from 1 December 2026.

Smaller banks should be able to opt-in

- 26. I do not propose to designate smaller banks and non-bank deposit takers under the Bill, but instead the regulations will provide a pathway for them to opt in. Although some submitters said that designating smaller banks could increase value to fintechs and consumers, smaller banks and non-bank deposit takers are generally at an early stage of considering open banking, with no firm implementation plans. Setting implementation dates now may impose undue compliance costs and divert investment from more critical priorities.

The designation will cover customer data and payments

- 27. I propose that the designation include customer data (customer details, transactions and account balances) for most account types (transaction, saving, credit card, lending) and account holders (business, individual, and joint) where the customer already has digital access. Additionally, it will also include 'payments initiation' from accounts where customers can transact payments in New Zealand Dollars. These settings mirror what has been committed to under the voluntary system led by banks.

Other regulations needed to bring banking designation into effect

Restrictions on fees and charges

- 28. Currently, each bank determines the fees charged to fintechs for accessing customer data and initiating payments (ranging from 1 cent to \$1 per request). In Australia and the UK, banks are prohibited from charging fees, and therefore all requests through standard APIs are free. If the regulations do not clearly set out what level of fees banks can charge, fintechs would need to negotiate individually with banks over fees, and those negotiations would allow banks to limit access. This would seriously undermine the ability for fintechs to meaningfully compete with banks. However, prohibiting fees completely could disincentivise fintechs from using open banking efficiently, and banks from investing in system capacity and new functionality.
- 29. I propose specifying in the regulations an upper limit on the fees that banks may charge, with an additional provision that prohibits banks from charging customers themselves for using a fintech's services. I propose that the upper limit be:
 - 29.1. for payment requests, 5 cents per payment; and
 - 29.2. for account information requests, 1 cent per successful API request, or a maximum of \$5 per customer per month for near-real time access to transaction records.

Payment limits

- 30. At present, for security reasons, banks currently do not allow payments above a certain dollar amount (ranging from \$2,000 to a few tens of thousands of dollars) to be made through open banking.

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31. If banks continue to have full discretion to set payment limits, there is risk of banks setting the limit too low which could limit payment services viability and reduce uptake. I therefore recommend that regulations provide:
 - 31.1. payment limits can be set by designated banks, but cannot be lower than the limits imposed on transactions the customer can initiate through internet or mobile banking in bank-owned channels; and
 - 31.2. the customer can instruct banks to set a lower limit for open banking payments if they wish, independently of the amount they authorise for accredited fintechs.

Accreditation criteria

32. Fintechs that participate in the regime must satisfy accreditation criteria. The Bill itself sets out some accreditation criteria, such as having adequate security safeguards, and its directors being of good character. The Bill provides for regulations and standards to set out additional criteria.
33. I recommend that the regulations require accredited fintechs to:
 - 33.1. hold adequate insurance to address the risk that the applicant may be unable to meet liabilities incurred in connection with data or payments requested under the Bill, unless this risk is adequately addressed through other means (such as related company guarantees);
 - 33.2. be registered as a financial service provider if required by the *Financial Service Providers (Registration and Dispute Resolution) Act 2008*; and
 - 33.3. notify the chief executive of changes in circumstances that affect their accreditation.

On-boarding

34. Once a fintech has become accredited, it needs to be onboarded (i.e. provided access to banks' APIs) by individual banks before it can connect to bank systems.
35. I recommend that banks be required to supply information necessary for an accredited fintech to connect to the bank's system within five working days of receiving an onboarding request from the accredited fintech.

Customer authorisations

36. Before banks and fintechs exchange data, both must receive authorisation from the customer. Banks will be required to authenticate a consumer's consent to a data transfer and verify the identity of an accredited fintech.
37. I propose that:
 - 37.1. accredited fintechs would need to notify customers every 12 months about active authorisations, and inform customers on how to withdraw them; and
 - 37.2. both banks and accredited fintechs (or the customer-facing end-recipient, where intermediary fintechs are used) would need to provide online

'dashboards' that allow customers to view and withdraw authorisations, and that disclose all recipients and their purposes for receiving customer data.

Implementation

38. The operational functions required for the regime (accreditation, compliance and enforcement) will be conducted by MBIE and the Office of the Privacy Commissioner (OPC). MBIE and OPC officials are working together to determine how this will work in practice. [REDACTED] Commercial Information [REDACTED]

Cost-of-living implications

39. Open banking will enable customers to benefit from new convenient, innovative and secure services such as budgeting tools, streamlined loan approvals, and new payment services, potentially with lower fees and surcharges. The proposed regulations will increase the benefit to customers (which include both individuals and businesses) compared to the voluntary system, due to the higher uptake from fintechs that we anticipate as a result of the regulations.

Financial implications

40. The Bill provides for cost recovery through fees and levies. [REDACTED] Commercial Information [REDACTED]
41. There is no existing appropriation that meets the scope of this regime. I propose to establish a new departmental appropriation 'Customer and Product Data Sharing' services. This appropriation will sit within Vote Business, Science and Innovation (BSI) with its scope limited to services which provide for an economy-wide framework. This enables greater access to, and sharing of, customer and product data between businesses, giving customers (including both individuals and entities) in designated sectors greater control over how their data is accessed and used.
42. I also propose to establish a Customer and Product Data Sharing services memorandum account. This regime will be fully cost recovered from fees and levies. However, there will be a gap between when expenditure is incurred in order to establish the regime before go-live, and when fees and levies can be collected. A memorandum account will ensure that, over time, the regime is not in a sustained deficit or surplus position.
43. In order to achieve implementation by December 2025, an initial appropriation of \$0.5 million in 2025/26 (funded from revenue other) is required to commence work to establish the regime. This will result in the memorandum account being in a deficit position for the first six months of the financial year until the fees and levies are implemented. MBIE will confirm the final appropriation as part of the discussion document on setting fees and levies, to be approved by Cabinet.

44. Commercial Information

Legislative implications

45. The decisions in this paper will be implemented through regulations under the Bill.

Impact analysis

Regulatory Impact Statement

46. The impact analysis requirements apply to the proposals in this paper. MBIE has prepared a Regulatory Impact Statement (**RIS**), which includes a Stage 1 Cost Recovery Impact Statement (**CRIS**). The Statement is attached at **Annex 1**.

Quality of the impact analysis

47. The MBIE Quality Assurance Panel reviewed this Regulatory Impact Statement, which includes a Stage 1 CRIS, and which was prepared by the MBIE Consumer Policy Team. The Panel considers that the RIS and Stage 1 CRIS meet the Quality Assurance criteria.

Climate Implications of Policy Assessment (CIPA)

48. The Ministry for the Environment was consulted and confirmed that the CIPA requirements do not apply to the proposals in this paper as the threshold for significance is not met.

Population Implications

49. Submitters expressed that the proposal to designate banks under the CDR regime is likely to positively impact consumers and businesses through the provision of increased banking competition, new products and services.

Positive impact for Māori

50. The proposed regulations will make it easier for Māori organisations to offer specialist data capability and functionality for Māori groups and increase the range of fintech services that Māori individuals and organisations have access to.² I anticipate there will be some Māori and non-Māori customers who may not wish to participate in the regime and therefore do not gain the benefits of open banking.

Human rights

51. The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

² Te Whata (accessed 11 February 2025) *About: He whata kai, he whata kōrero, inā he māramatanga*
<https://tewhata.io/about/>

Consultation

52. The Department of Prime Minister and Cabinet, Treasury, Department of Internal Affairs, Ministry of Justice, Inland Revenue Department, Te Arawhiti, Commerce Commission, Financial Markets Authority, Reserve Bank of New Zealand and Office of the Privacy Commissioner have been consulted on this paper.

Communications

53. I will issue a press release announcing Cabinet's decisions.

Proactive release

54. This paper will be published on MBIE's website, subject to withholdings as appropriate under the *Official Information Act 1982*.

Recommendations

The Minister of Commerce and Consumer Affairs recommends that the Committee:

1. **note** the Customer and Product Data Bill is a mechanism for allowing customers to require data held about them to be shared safely and securely with trusted third parties;
2. **note** that on 21 August 2024, Cabinet approved the release of two discussion documents seeking feedback on applying the Customer and Product Data Bill to the banking and electricity sectors [ECO 24-MIN-0171 refers];
3. **agree** to designate the banking sector under the Customer and Product Data Bill, with the scope and regulatory settings in **Annex 2**;
4. **authorise** the Minister of Commerce and Consumer Affairs to make additional policy decisions and minor or technical changes to the settings in **Annex 2**, consistent with the general policy intent, on issues that arise in drafting;
5. **agree** that the scheme be fully funded by fees and levies, as enabled under the Bill [DEV-22-MIN-0151 refers];
6. **invite** the Minister of Commerce and Consumer Affairs to report back to Cabinet with a proposal on the quantum of funding to be recovered by fees and levies, and their attribution between participants by 31 August 2025, following targeted consultation;
7. **agree** to establish the following new appropriation:

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Business, Science and innovation	Minister for Commerce and Consumer Affairs	Ministry of Business, Innovation and Employment	Commerce and Consumer Affairs: Customer and Product Data Sharing Services	Departmental Output Expense	This appropriation is limited to services which provide for an economy-wide framework which enables greater access to, and sharing of, customer and product data between

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					businesses, thereby giving customers (including both individuals and entities) in designated sectors greater control over how their customer data is accessed and used.
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8. **approve** the following changes to appropriations to give effect to the policy decisions in recommendations 3 and 4 above, with a corresponding impact on the operating balance and net debt:

Vote Business, Science and Innovation Minister of Commerce and Consumer Affairs	\$m – increase/(decrease)					2028/29 & Outyears
	2024/25	2025/26	2026/27	2027/28		
Departmental Output Expenses: Customer and Product Data Sharing Services (funded by revenue other)	-	0.500	-	-		-

9. **agree** to establish a Customer and Product Data Sharing services memorandum account to enable MBIE to account for revenues received and expenses incurred in undertaking the establishment and running of the consumer data right regime to ensure sustained surplus or deficit is not incurred;
10. **note** that the appropriation in recommendation 8 for 2025/26 would be reviewed as part of the implementation of fees and levies as well as providing for the appropriation in 2026/27 and outyears; and

Legislative implications

11. **invite** the Minister of Commerce and Consumer Affairs to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above recommendations.

Authorised for lodgement

Hon Scott Simpson

Minister of Commerce and Consumer Affairs

Annex 1: Regulatory Impact Statement and Cost Recovery Impact Statement

Attached as separate document

Annex 2: Detailed recommendations for banking designation

Issue	Recommendations
Designate banks	1. agree to designate specific banks under the Customer and Product Data Bill to require: 1.1. ASB, ANZ, BNZ and Westpac to provide customer account information and payment initiation from 1 December 2025; 1.2. Kiwibank to provide payment initiation from 1 June 2026, and customer account information from 1 December 2026; and 1.3. other deposit takers may opt in by giving notice to MBIE.
Designated customer data	2. agree that designated customer data be as follows: 2.1. information identifying the customer, such as the customer's name; 2.2. information identifying the type of customer, such as whether the customer is an individual, trustee or company; 2.3. the customer's contact details; 2.4. information about the following aspects of the customer's use of transactional accounts, savings accounts, credit card accounts and lending accounts: 2.4.1. information identifying the account, such as the account name and account number; 2.4.2. information about the type of account, such as the currency; 2.4.3. account balances; 2.4.4. transactions (previous two years); 2.4.5. bank statements (previous two years); 2.4.6. interest charges and credit fees; 2.4.7. payment obligations; 2.4.8. authorisations for transactions given in respect of accounts, such as automatic payments and direct debits;

	2.4.9. payees; and 2.4.10. information about offers available to the customer in respect of the account such as balance transfers and promotional interest rates. 3. agree that designated customer data only apply to customers who have digital access to designated account types, such as via bank websites or mobile banking applications; 4. agree to designate domestic payments as actions that can be requested under the Bill; 5. agree to restrict requests for customer data and payments to requests from accredited requestors (rather than customers directly).
Issue	Other regulations needed to bring banking designation into effect
Restrictions on fees and charges	6. agree that banking data holders must publish their pricing for regulated data services; 7. agree that banking data holders be prohibited from charging customers for requests made by accredited requestors, and bank charges to accredited requestors for requests must not exceed the following levels: 7.1. for payments, 5 cents per payment; and 7.2. for customer data requests, 1 cent per successful API call, or a maximum of \$5 per month per customer for near-real time access to transaction records.
Payment limits	8. agree that banking data holders may not limit the amount of payments under the designation to less than the limit imposed on transactions the customer can initiate through internet or mobile banking, unless the customer requests a lower limit.
Accreditation	9. agree that regulations prescribe the following accreditation criteria for banking (in addition to those provided by the Bill): 9.1. the applicant holds adequate insurance to address the risk that the applicant may be unable to meet liabilities incurred in connection with data or payments requested under the Bill, unless this risk is adequately addressed through other means (such as related company guarantees) 9.2. the applicant is registered on as a financial service provider (if required by the Financial Service Providers (Registration and Dispute Resolution) Act 2008)

	9.3. if the applicant is acting as an intermediary (e.g. providing data or requested actions for customers of another unaccredited business), the applicant has adequate processes to ensure that this does not pose undue risks to customers. 10. agree that accredited requestors must notify the chief executive of changes in circumstances affecting their accreditation, such as changes to directors or senior managers.
On-boarding obligation	11. agree that banking data holders be required to provide the information necessary for an accredited requestor to establish connections with the bank's electronic system within 5 working days of receiving a notification in writing from an accredited requestor.
Customer authorisations	12. agree that accredited requestors with active customer authorisations will be required to notify customers at least every 12 months about those authorisations and that inform customers of how to withdraw them.