

New Zealand Business Number  
Ministry of Business, Innovation and Employment  
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Wellington 6140  
Email: [e-Invoicing@nzbn.govt.nz](mailto:e-Invoicing@nzbn.govt.nz)

16 November 2018

Dear Ms Joanne Hogan,

**RE: SUBMISSION ON TRANS-TASMAN E-INVOICING**

I am writing in response to your call for submissions on the discussion paper 'Early thinking: Operational governance for trans-Tasman e-Invoicing' dated October 2018.

I am making this submission on behalf of Payments NZ Limited (Payments NZ). In an attachment to this letter I have provided some additional information on Payments NZ and its role in the domestic payments ecosystem.

I understand you have a strong preference for submissions to be made using the submission template available online. However, in this instance, we did not feel that template would allow us to make the most useful contribution to the further development of e-Invoicing policy and your advice to Australian and New Zealand (A-NZ) governments.

We acknowledge a common trans-Tasman approach to e-Invoicing and the high-level framework you have outlined, which appears to work on an opt-in basis, has strong merit. We are also encouraged by your preference to work collectively with industry to develop a common approach to this issue.

We are not aware of any legal barriers to the implementation of e-Invoicing in New Zealand. There are no specific policy barriers we are aware of, but there is a need for some alignment between the development of e-Invoicing policy and industry developments in respect of the future domestic payments ecosystem.

Our view is informed by the following considerations:

- There is a close relationship between e-Invoicing and the payments value chain.
- There is a close fit between what the A-NZ governments are hoping to achieve from e-Invoicing and what the payments industry, facilitated by Payments NZ, are looking to achieve in payments systems. This is especially true in relation to the stated outcomes of improving productivity, reducing instances of fraud, improving data quality and enriching transactions between business and with government<sup>i</sup>, creating economic benefits through faster payments and reduced transaction costs<sup>ii</sup>, and improving cashflow for businesses<sup>iii</sup>.
- Payments is an industry where efficiency, interoperability and system integrity are fundamental and there are lessons in these areas from the payments industry that would be applicable to your e-Invoicing proposals, especially given the industry's experience with establishing and governing multi party models.



- There are very close linkages between your e-Invoicing proposals and work we are facilitating on behalf of the payments industry with our Payments Direction initiative.
- Our stakeholder community (comprising Participant banks, members and representatives from the broader payments industry) will have a significant interest in elements of the proposed e-Invoicing initiative.
- The five design principles<sup>iv</sup> set out in your discussion paper speak to the type of considerations that inform the payments industry change work we are facilitating.

Based on the above points, Payments NZ and our industry stakeholders will have a keen interest in the outcomes and progress of this e-Invoicing initiative.

### **The importance of a broad view of interoperability – governance framework**

We agree with the emphasis on interoperability in your discussion paper. We would encourage the future development of your e-Invoicing proposals to include a broad range of stakeholder input, especially from those involved in enabling interoperability across the value chain in the lifecycle of an invoice.

Our assessment of the importance of a broad view of interoperability is based on our experience in seeing the payments value chain evolve over time. The core payment processing function is now part of a much longer value chain which includes a greater range of pre and post payment services. There is greater integration across that value chain with a stronger need for interoperability on an end to end basis. From a brief review of the 'Trans-Tasman e-Invoicing Interoperability Framework October 2018, Version 1.1', we recognise there is an acknowledgment both invoicing and payments, are respectively each just one component of a broader value chain.<sup>v</sup>

### **Potential linkages between e-Invoicing & Payments Direction**

Established in 2015 Payments Direction is our cornerstone strategic initiative to work collaboratively with industry to understand and to deliver on the evolving future of payments.

Our best assessment is the payment ecosystem of the future is going to be characterised by a need to support:

- Payments that are faster and more available.
- More informative transactions (so richer and more relevant information can accompany a payment, rather than travel in a different channel).
- Increased collaboration in the industry, across all parts of the value chain.
- Increasing involvement of regulators to support the achievement of key public policy outcomes.
- Simplification of processes to remove unnecessary 'overhead' from payments.

When the time is right, we would welcome the opportunity to brief you in more detail on Payments Direction and the work being completed under this banner. We believe there is an intersection between e-Invoicing, elements of the work we are doing with industry through Payments Direction and solutions our stakeholders are looking to bring to market.

## Conclusion

I trust you will find this response useful as you consider how best to progress your e-Invoicing initiatives and develop your advice to A-NZ Ministers. I understand that this submission may be made public.

I would welcome the opportunity to meet you or members of your team to discuss any aspect of our submission.

Given a formal trans-Tasman e-Invoicing arrangement has now been signed by the Minister for Small Business and the Australian Assistant Treasurer<sup>vi</sup>, we will be sharing a copy of our submission to our colleagues at the Australian Payments Network and the Australian Payments Council in case there is an opportunity for a joint trans-Tasman input by the respective payment associations.

Yours sincerely,



Steve Wiggins  
Chief Executive

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## ATTACHMENT – PAYMENTS AND PAYMENTS NZ LIMITED

The New Zealand payments system is unique and world-class. We are highly banked (99.5%) and have the most electronic payments and card transactions per capita globally.

The core payments system in New Zealand is made up of a tightly integrated network of organisations and infrastructures that work in co-ordination to ensure payments are interoperable, efficient and secure. The relatively small size of the core system encourages a high degree of communication and collaboration within the network - from financial institutions and banks, to payments and infrastructure service providers through to merchants. Latterly there has been a strong level of interest from the wider payments ecosystem in being more closely involved in aspects of the core system.

Payments NZ was established in 2010 with the support of the Reserve Bank of New Zealand with a diverse mandate ranging from managing clearing system rules, to encouraging and facilitating access, enabling interoperability through to promoting efficient, open, innovative, safe and interoperable payments system. Our vision is that Kiwis can pay who they want, when they want and how they want.

Payments NZ plays a central governance, leadership and facilitation role in the New Zealand payments industry. Our Board includes three Independent Board directors, including an independent Chair.

Our stakeholder community consists of our Participants, our Members and other organisations working in payments and allied industries. Participants are financial institutions that exchange payments directly with other Participants in one or more of our clearing systems.

Our members include Paymark, SWIFT, Mastercard and Visa as well as household names like Trade Me, Countdown, Foodstuffs, and Z Energy and a number of fin-tech organisations. We have three membership types reflecting the different kinds of organisations in the payment system, the sorts of issues they are involved in, and their interest and level of involvement in the work we do. We have over 30 members across the three membership types.

Through our work across the payments ecosystem we have also developed a deep reach into the broader payments community, and regularly engage with organisations from that community as part of regular Payments NZ events.

One of our core activities is to set and manage the rules and standards for how Participants access and safely interoperate within a group of clearing systems, defined by payment type – the Bulk Electronic Clearing System, the Consumer Electronic Clearing System, the High Value Clearing System and the Paper Clearing System. These rules and standards set out the requirements for participation and how payments are processed. They also provide standardisation for the way transactions are made between Participants and their customers.

We also administer the Settlement Before Interchange (SBI) system. This is a SWIFT-based system which Participants use to settle and interchange payment transaction files multiple times throughout each business day.

Most of the economic activity undertaken by New Zealanders everyday takes place through SBI and the High Value Clearing System (HVCS).

SBI processes over \$1.1 trillion worth of transactions annually. It processes bulk account to account electronic credit and debit payments such as bill payments, automatic payments, payroll, tax payments, direct credits, and direct debits. All card and cheque transactions are also settled through SBI. The card transactions originate in our Consumer Electronic Clearing System, whereas the cheque transactions originate in our Paper Clearing System.

HVCS processes high value irrevocable payments such as the domestic leg of cross border payments, large customer to customer payments such as house settlements and corporate treasury payments. HVCS processes over \$6 trillion worth of transactions annually.

Our systems operate on a distributed basis, meaning there is no central clearing infrastructure.

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<sup>i</sup> Discussion Paper 'Early Thinking: Operational governance for trans-Tasman e-Invoicing' October 2018, page 4

<sup>ii</sup> <https://www.beehive.govt.nz/release/modernising-way-we-do-business>

<sup>iii</sup> <https://www.budget.govt.nz/budget/2018/speech/sustainable-economic-development.htm>

<sup>iv</sup> The five principles are Interoperable single digital economic market, digital inclusion, open and responsive to change and innovation, system integrity and government commitment

<sup>v</sup> Trans-Tasman e-Invoicing Interoperability Framework, October 2018, Version 1.1, page 16

<sup>vi</sup> <https://www.beehive.govt.nz/release/trans-tasman-e-invoicing-arrangement-signed>