



# The future of Kiwi payments innovation

Liam O'Reilly, 15 August 2018

If you've ever watched a movie where time travel is a key story element, you'll notice the plot follows a hard and fast rule: no matter what happened in the past, the future can always be different, depending on what the players do in the present. It's interesting to reflect on the story of payments innovation in New Zealand and about where we've come from and what the future may hold.

## Travel back 30 years and the payments landscape in this country was a mere shadow of what it is today.

Cash and cheques were basically it, and if you wanted to get your hands on either of these you had to actually walk into a brick-and-mortar bank to get them.

But as computers began to become an established part of everyday life, the possibilities around using them for processing payments began to open up. One such new system got its start right here in New Zealand – but it didn't happen on its own. EFTPOS took off in New Zealand because there was collaboration within the payments industry to create a ubiquitous infrastructure (thanks to a little old company now known as Paymark – New Zealand's first fintech!) and this made more things possible for everyone involved – especially the consumer.

With our plastic cards and 4-digit pins, we very quickly became very fond of the Electronic Financial Transfer (at) Point of Sale, as the acronym goes. The combination of freedom from having to carry cash and the flexibility of being able to swipe the card at any location on a single device regardless of who you bank with made perfect sense – and it still does.

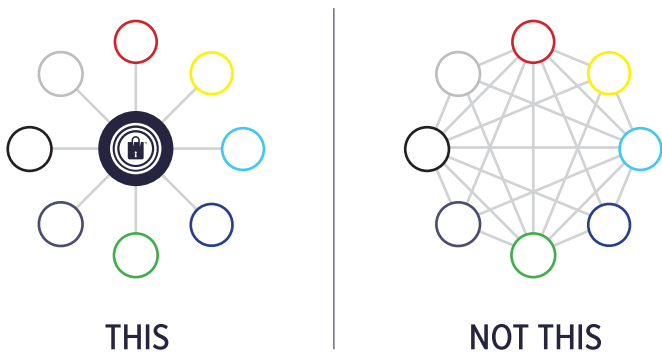
And it's easy to take it for granted. It's only when you're in the US and see the walls of ATMs so you can get cash out to give to the barkeep, or Australia where EFTPOS costs the merchants for every transaction, so they have "\$20 minimum spend" signs and people are paying in cash, you're reminded of just how seamless our payments ecosystem really is.

Jump forward 30 years from those heady days and the appeal behind the first electronic transactions is still the driving force behind the myriad of payment options that now abound in today's digital, mobile-obsessed world.

And yet, the fact is many perfectly practical payment innovation initiatives have struggled to get off the ground in New Zealand simply because they failed to offer the same universal and instant experience that the EFTPOS network enabled.

There is a new approach that Paymark has already adopted that promises to change that reality – and perhaps create a fresh rip in the space-time continuum of payment innovation in this country. It's called open banking. Open banking is the new payments buzz word and describes the use of open APIs that allow 3rd party

developers to build and develop secure applications that help connect to financial institutions.



To ensure that the New Zealand payments industry isn't wasting time duplicating infrastructure and is enabled to spend more time curating their end-user's experience, Paymark has built OPEN (we still love acronyms here at Paymark and it stands for the Open Payments Enabled Network). OPEN is a centralised cloud-based network that everyone – banks, payment industry partners, fintechs, businesses – can connect to via an online tool known as an Application Programme Interface (API) around which you can develop, evolve and deliver innovative payment experiences. APIs are sometimes described as the 'universal plugs' of the internet because they allow an app or website to plug directly into another system (like a bank) and safely share data, even though both systems are set up in very different ways. With APIs you never give away your login details and you can turn access on or off whenever you want.

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With APIs operating as the hub for open banking, they make so many other payment processes possible. It means you can pay

a friend instantly using just your smartphones, or pay all your monthly bills with a single tap in your bank app, or even get instant recommendations from a store you're in, based on what you've bought elsewhere.

A great example of open banking in action that's already in the market harks back once again to our payments innovation history; and that's Online EFTPOS. This system allows you to make payments by simply entering your mobile number and connecting securely through to your banking app. No more trying to type in your credit card details, just say yes and the job is done. Online EFTPOS is currently available through ASB, The Co-operative Bank and Westpac by the end of the year. Paymark is actively working with several other banks to turn on Online EFTPOS functionality for their customers as well.

So, that's a great start for open banking – but it's only the beginning. We know there are still too many pain points in everyday payment experiences. We know that Kiwis everywhere will benefit from new, real-time and mobile first payment experiences – and we want to develop new ways that Kiwis can pay their mates, their bills and enjoy new and more intuitive ways to pay instore. So, what will it take to make that happen?

It comes down to a single word; collaboration.

Just like the storyline in your favourite time travel movie, the future of payments innovation in New Zealand is going to be determined by what we do today – and today we have the opportunity to create a new future for payments in New Zealand.

To successfully create these new, innovative and ubiquitous payment experiences, players at all levels in the industry need to come together to share and collaborate, just like we did 30 years ago. We have the experience, the expertise and the technology already in place; we now just need the cooperation.

Khris Faafoi commented at a recent payments conference "Speed is of the essence and the status quo isn't an option. I do not want to see New Zealand left behind in respect of the outcomes that open banking could deliver in terms of economic development and benefits for consumers." We couldn't agree more.

Paymark's vision is simple – to enable the delivery of new payment experiences for a digitally enabled mobile-first world – and we are uniquely positioned to facilitate such industry collaboration. We can help the industry with everything from

payment identity, authorisation and settlement, to services such as on-boarding, security, compliance and anti-money laundering. Like our pioneering efforts with EFTPOS in the 1980s, we want to take our payments innovation destiny into our hands, rather than have it dictated to us by the big, global monopolies that will come to this country and dictate the market and price points for Kiwi business and consumers if we don't get our act together. As history shows, we've done it successfully in the past, and we believe we can do it again for the future.

**Imagine 30 years into New Zealand's future, when the story of payments innovation in New Zealand is being told afresh. Let's make sure that the time travellers of the future won't need to travel back to 2018 to let us know that we had the opportunity to change things for the better and didn't. That's not a movie scene we at Paymark want to see played out.**



#### ABOUT THE AUTHOR

Liam O'Reilly is Chief Executive Officer at Paymark. Liam has been with Paymark since 2007 and was appointed Chief Executive Officer in early 2017. He has extensive legal and payments experience, focusing on commercial, competition and strategic matters. Prior to Paymark, Liam was a lawyer in private practice.

## A little bit about Paymark

For almost 30 years, Paymark has been connecting Kiwi businesses with world-leading EFTPOS, eCommerce and business insights. We process 75% of the country's transactions, for over 80,000 businesses up and down the country.



To find out more about OPEN, and to connect with Paymark, visit [paymark.co.nz/future](https://paymark.co.nz/future)