PSGRNZ

Physicians & Scientists for Global Responsibility Charitable Trust

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Submission

Modernising New Zealand's retail payment system.
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Submitted to the:

Reserve Bank of New Zealand – Te Pūtea Matua.

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Physicians and Scientists for Global Responsibility Charitable Trust (PSGRNZ) works to educate the public on issues of science, medicine, technology (SMT). PSGRNZ works to encourage scientists and physicians to engage in debate on issues of SMT, particularly involving genetics and public and environmental health.

RBNZ consultation: Modernising New Zealand's Retail Payment System

Issues Paper Modernising New Zealand's Retail Payment System. 18 August 2026.

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Email: futureofmoney@rbnz.govt.nz

PSGRNZ ADDENDUM TO RESPONSE ID ANON-9P3F-6N4X-J

Financial market infrastructure standards, institutional conflicts of interest and the relationship between payments modernisation and digital cash

PSGRNZ wishes to supplement its September submission[1] by drawing attention to international financial market infrastructure standards and the Reserve Bank's own earlier CBDC research.

This Addendum further expresses concern about the adequacy of the consultation's treatment of institutional power, competition, constitutional accountability and the cumulative consequences of interconnected digital infrastructure.

It highlights the lack of transparency surrounding the scope and depth of the RBNZ's evaluation of these complex issues, its current CBDC strategy and its future intentions, while identifying significant questions of constitutional and administrative law that remain unresolved.

The RBNZ and Accenture stated that *'Real-time payment systems are the foundation of any CBDC programme*.'[2] Therefore, a modernised real-time payment system would likely form an underpinning digital infrastructure that would enable the roll-out of digital cash/CBDCs. Global consultancy Accenture, in its co-written report with the RBNZ, stated:

> *Key takeaways include that NZ has an opportunity to develop world leading CBDC capability, addressing inclusion, resilience and monetary sovereignty, that maximises synergies with other national digital initiatives, such as Digital ID, CDR and Real Time Payments through interoperability.*

In early 2025 the RBNZ subsequently paused its digital cash programme to propose that it would lead New Zealand's real-time payments strategy and by August 2025 the RBNZ had secured ministerial authority to lead the payments modernisation programme.

The RBNZ's 2026 consultation presents payments modernisation principally as a response to existing inefficiencies, weak competition and insufficient strategic coordination. Yet the Bank's earlier commissioned research had already identified that a modernised retail payment system was strategically important for CBDCs, and that central banks and global consultancies recognise

[1] PSGRNZ (September 10, 2026). Response ID ANON-9P3F-6N4X-J Submitted to Modernising New Zealand's retail payment system. https://psgr.org.nz/component/jdownloads/send/1-root/229-2026-rbnz

[2] Accenture (2024) Central Bank Digital Currency - Strategic Design Insights Dossier. Published by the Reserve Bank of New Zealand and Accenture. Page 34. https://consultations.rbnz.govt.nz/money-and-cash/digital-cash-in-new-zealand/user_uploads/cbdc-insights-dossier-for-public-1.pdf

key synergies between CBDCs and other national digital initiatives, including digital ID systems, through interoperability.[3]

On page 13, the RBNZ observed that network effects, economies of scale and incumbent control can create barriers to entry. It additionally explained that technical design decisions can entrench dominant institutions and that new entrants may become dependent upon infrastructure controlled by incumbents.[4]

The public should therefore be given enough information to distinguish improvements that are independently justified, such as faster account-to-account payments, from architectural choices intended to accommodate a possible future CBDC.

1. The PFMI expressly recognise conflicts arising from central-bank operation and oversight

The Principles for Financial Market Infrastructures (PFMI) (CPSS-IOSCO, 2012), particularly Principle 2 on governance and its explanatory guidance at paragraph 3.2.7, recognise the potential conflicts of interest arising where a central bank operates financial infrastructure while exercising oversight over competing private-sector infrastructure.[5] Many of the risks highlighted by the Committee on Payment and Settlement Systems may be particularly significant in a small market such as New Zealand:

> *Overall, an FMI and its participants may generate significant negative externalities for the entire financial system and real economy if they do not adequately manage their risks. In addition, factors such as economies of scale, barriers to entry, or even legal mandates, may limit competition and confer market power on an FMI, which could lead to lower levels of service, higher prices, or under-investment in risk management systems.*[6]

Financial infrastructure can become a source of market power in its own right. Once banks, payment providers, businesses and public agencies become dependent upon common infrastructure, the operator may acquire considerable influence over technical standards, participation requirements, pricing, access and future development. Network effects and switching costs can make alternative arrangements progressively less viable. In a small market, these dependencies may be particularly difficult to reverse.

The PFMI are not, however, a comprehensive framework for democratic accountability, constitutional limits on central-bank authority or the distribution of economic power. They envisage safeguards to manage institutional conflicts, including separation of operational and oversight functions and protection of commercially sensitive information. These provisions

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[3] PSGRNZ (2024) Stepping Back from the Brink: The Programmable Ledger. Four democratic risks that arise when Digital IDs are coupled to Central Bank Digital Currencies. Bruning, J.R., Physicians & Scientists for Global Responsibility New Zealand. ISBN 978-0-473-71618-9.

[4] Reserve Bank of New Zealand (2026), Modernising New Zealand's Retail Payment System, 18 August 2026. P.13. https://consultations.rbnz.govt.nz/rbnz/payments-modernisation-issues-paper/user_uploads/modernising-new-zealand-s-retail-payment-system-1.pdf

[5] BIS (April 2012). Principles for financial market infrastructures. Committee on Payment and Settlement Systems and Technical Committee of the International Organization of Securities Commissions. P.11. Principle 2, paragraph 3.2.7. https://www.bis.org/publications/principles-financial-market-infrastructures,

[6] BIS (April 2012). Principles for financial market infrastructures. Committee on Payment and Settlement Systems.

demonstrate that the risks are already recognised within international financial infrastructure standards.

The distinction between managing conflicts and preventing their concentration is important. Internal separation of responsibilities may reduce the risk of inappropriate regulatory decisions, but does not necessarily provide independent scrutiny of the institution's wider strategic interests. Where the same central bank influences national payments strategy, operates infrastructure, determines participation conditions and oversees competing providers, organisational separation alone may leave the ultimate allocation of authority unchanged.

The Reserve Bank of Australia's (RBA) analysis of FMI governance reinforces these concerns. Bolt and Meredith (2020) emphasise that ownership structures create different governance challenges, that competing interests must be identified and managed, and that effective oversight requires genuinely independent judgement.

This RBA analysis recognises that the interests of an infrastructure's owners, participants, stakeholders and the wider financial system may diverge. FMI stakeholders may include entities competing with the FMI or its related entities, and stresses that consultation with such entities must occur early enough to influence decisions rather than becoming a procedural exercise. [7] These complex concerns remain relevant to publicly owned infrastructure.

The economic literature identifies a further problem. Klein (2023) examines the structural conflicts arising when a central bank acts as both payment-system regulator and operator, including the potential for regulatory decisions to favour its own infrastructure.[8]

Ragazzo and Caminha (2025) similarly identify concerns that central banks could use supervisory influence to favour their own instant-payment schemes, discourage competing schemes or create artificial network effects. The authors emphasise the difference between operating the underlying payment infrastructure and controlling the payment scheme. Their account of Brazil's Pix describes the central bank controlling the scheme's rulebook, admission requirements and technical specifications, while private payment providers deliver customer-facing services. As such, competition at the retail front end is not equivalent to independent control over the infrastructure beneath it.

Although they ultimately defend central-bank operation as a means of overcoming private-sector coordination failures, their analysis confirms that these competing institutional considerations require explicit examination.[9]

A publicly operated platform may address private-sector market power while creating a different concentration of institutional power. The benefits of public provision therefore cannot be

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[7] Bolt, S., & Meredith, D. (2020). Governance of financial market infrastructures. Reserve Bank of Australia Bulletin, December, 17–29. https://www.rba.gov.au/publications/bulletin/2020/dec/governance-of-financial-market-infrastructures.html

[8] Klein A. (2023). Structural Conflicts in Central Banking: Regulator or Operator of a Payment System? The Wharton Initiative on Financial Policy and Regulation. https://www.brookings.edu/wp-content/uploads/2023/11/Structural-Conflicts-in-Central-Banking.pdf

[9] Ragazzo C, Caminha L. Central Banks as Regulators and (also) Operators of Instant Payments Schemes: Confronting the Criticisms of “Needless Intervention” and “Unfair Competition.” European Journal of Risk Regulation. 2025;16(1):263-278. doi:10.1017/err.2024.52

established solely by identifying the shortcomings of private incumbents. Nor does competition between retail payment providers necessarily establish competition at the infrastructure layer, where providers may all depend upon the same operator, technical standards and access arrangements.

This distinction becomes particularly important during financial crises. Systemically important infrastructure may provide essential continuity, but the consequences of institutional dependence also become more acute when alternative channels are unavailable. Maintaining physical cash, independently operable payment arrangements and a diversity of smaller financial institutions may therefore contribute to resilience as well as competition. These protections should be evaluated alongside the efficiencies of common infrastructure, rather than treated simply as costs or duplication.

The RBNZ's August 2026 consultation recognises that network effects, barriers to entry, concentrated infrastructure ownership and misaligned incentives can undermine competition and innovation. However, its scrutiny is directed principally towards private-sector incumbents.

The RBNZ does not apply an equivalent conflict-of-interest assessment to its own potential combination of strategic leadership, operational responsibilities, regulatory influence and oversight. Nor does it adequately evaluate whether independent institutional arrangements, rather than internal separation or inter-agency coordination, may be necessary to address these conflicts while safeguarding competition, accountability and public confidence.

The PFMI establish that governance conflicts, market power and systemic dependencies are foreseeable risks, but do not establish that central-bank leadership is necessarily the appropriate institutional solution.

We emphasise that the RBNZ is both leading the consultation and a potential beneficiary of the institutional arrangements under consideration. Having received ministerial endorsement to develop the payments modernisation strategy and strategic proposal, it is positioned to influence the allocation of its own future responsibilities.

Parliament and the public should therefore be invited to consider not simply whether concentrated private-sector influence should be reduced, but whether the public interest is better served by transferring that influence to the central bank or by establishing an institutional framework that constrains concentrations of power in either sector. Answering this question requires an independent assessment of alternative ownership, operating, regulatory and oversight models, including the appropriate allocation of authority between Parliament, Ministers, the RBNZ and other statutory regulators.

The consultation thus recognises important governance problems without adequately examining how the reform process itself might reproduce them. Furthermore, the publicly available record does not establish whether the Minister of Finance or Parliament has been fully apprised of the broader constitutional and institutional issues at stake, or whether independent external advisers with relevant public-law, financial governance and technological expertise have been appointed to evaluate them.

Such scrutiny should extend beyond advisers affiliated with foreign central banks or global consultancy firms commercially involved in the development of financial technologies, digital identity systems and CBDCs. Independence from institutions with existing strategic or commercial interests in the proposed architecture is essential to the credibility of that assessment.

2. Payments modernisation and the RBNZ's earlier CBDC programme are strategically connected

PSGRNZ highlights three levels of concern:

a) *Established:* the RBNZ and Accenture identified possible interoperability between CBDCs, digital identity, the Consumer Data Right (CDR) and real-time payments.
b) *Unresolved:* the RBNZ's present CBDC strategy, the extent of continuing technical development, and the institutional implications of possible future issuance.
c) *Potential risks:* expanded transaction controls, surveillance, concentration of authority and future government use of interconnected systems.

There is a lack of clarity concerning the RBNZ's current position regarding CBDCs. In its 2024 Central Bank Digital Currency: Strategic Design Insights Dossier, prepared collaboratively with Accenture, the RBNZ identified the opportunity to develop CBDC capabilities that maximise synergies with Digital ID, the CDR and real-time payments through interoperability.

These documents establish that the relationship between payment infrastructure, digital cash and other national digital initiatives has been under consideration for several years.

Publicly available RBNZ papers do not reveal the current position of the RBNZ on digital cash/CBDCs following its summary of consultations in 2024.

Yet the 2024 consultation attracted a high level of response, reflecting deep public concern. Most submitters expressed concern about the potential for government control:

> *The main concern about Digital Cash for New Zealanders (90%) was the potential for government control. Respondents were clearly concerned about the implications of Digital Cash for traceability, and by extension privacy and autonomy. Many feared Digital Cash will be used to facilitate unacceptable intrusion into their privacy or social control, even if it is not originally designed to do so.* [10]

The RBNZ response subsequently stated that it would *'adequately address feedback on the importance of privacy and autonomy, and lack of technical detail'*, and that the work would nevertheless continue:

> *The Digital Cash proposal is a multi-year, multi-stage exploration. Further design work, policy development and cost-benefit analysis are planned through 2025 - 2026.*[11]

[10] RBNZ (December 10, 2024). Responses to submissions on Digital Cash. P.5. https://consultations.rbnz.govt.nz/money-and-cash/digital-cash-in-new-zealand/user_uploads/summary-responses-to-digital-cash-submissions-dec-2024-1.pdf
[11] RBNZ (December 10, 2024). Responses to submissions on Digital Cash. P.10.

The August 2026 consultation similarly identifies CBDCs, tokenisation and other emerging forms of digital money as developments for which modernised payment infrastructure should be prepared.[12]

However, these documents do not establish that a decision to issue a CBDC has been made, nor that a formal position paper addressing broader governance issues has been drafted. The RBNZ's position on CBDCs therefore remains opaque.

The publicly available record does not establish the extent to which Parliament has been informed. Freiman (2024), writing about Canada, identified a comparable concern:

> *while it is the responsibility of the government and Parliament to make decisions about CBDC implementation, there has been a lack of comprehensive discourse on the topic among Canadian politicians. This disconnect underscores the need for a critical examination of the government's actions and strategies in addressing the challenges of CBDC implementation.*[13]

The same could be said to apply to New Zealand.

We consider that Parliament must have the time and resources for a broader systematic examination (at arm's length from the RBNZ) of:

- The constitutional foundations of sovereign monetary authority.
- The legal distinction between Parliament's authority to establish monetary powers and a central bank's delegated authority to exercise them.
- Whether CBDC issuance could enlarge the central bank's discretionary powers over monetary creation, circulation or withdrawal.
- Whether CBDC-related changes to the central bank's balance sheet would create new obligations for parliamentary scrutiny of public finances.
- Which CBDC functions should be reserved to legislation rather than determined through central-bank rules.

While the institutions that are involved with the adoption and integration of CBDCs present CBDCs primarily and positively as technical solutions to existing infrastructure challenges, the themes in the legal, political and social science literature reflect public concerns relating to privacy, surveillance (domestically and across central banks on a shared financial ledger[14]), autonomy,

[12] Reserve Bank of New Zealand (2026), Modernising New Zealand's Retail Payment System, 18 August 2026.
[13] Freiman O. (Summer 2024). Digital Policy Hub — Working Paper From Central Banks to Governments and Standards: CBDC Governance in Canada. Centre for International Governance Innovation. Digital Policy Hub. https://www.cigionline.org/static/documents/DPH-paper-Freiman-2_ehm3Pd2.pdf
[14] Soana G and de Arruda T. (2024) Central Bank Digital Currencies and financial integrity: finding a new trade-off between privacy and traceability within a changing financial architecture. Journal of Banking Regulation (2024) 25:467–486, https://doi.org/10.1057/s41261-024-00241-2

accountability, digital inclusion, and the distribution of institutional and market power – issues that often revolve around the technologies as mechanisms of control.[15] [16] [17] [18] [19]

An Australian analysis found that:

> *while central banks serve the public as a whole in carrying out their mandates, their perceptions on the need for a CBDC may be restricted by the scope of their primary mandates, which are traditionally concerned with monetary policy and financial stability. This is problematic, as the grounds for and consequences of a CBDC issuance that fall outside this scope may not be fully considered.*[20]

The public should therefore be told whether particular payments modernisation options are being developed or assessed partly to support a future CBDC, which architectural capabilities would serve that purpose, and whether their costs, benefits and institutional implications have been separately evaluated.

An emerging literature points to the governance challenge of CBDCs and the potential for the centralisation of power through the oversight and programmability potential of CBDCs. CBDCs carry a broad range of social and constitutional unknowns, and they reconfigure informational power and accountability in monetary systems. University of Liverpool research fellow Ammar Zafar recognised the inseparability of the risks:

> *'Their potential to modernise payments, enhance inclusion, and strengthen policy capacity is real, but inseparable from risks of surveillance and governance failure.'*[21]

These risks raise five sets of questions:

a) **Monetary authority and issuance.** Who would authorise the creation, issuance, withdrawal and potential expansion of digital central bank money? What constraints would govern these decisions and their implications for monetary policy, the Reserve Bank's balance sheet and public finances?

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[15] Huang W, Breidbach CF. (2026). Central bank digital currencies: What is known and yet to be known? Journal of Strategic Information Systems 35:101978, DOI: 10.1016/j.jsis.2026.101978

[16] Hess, S. Regulating Central Bank Digital Currencies: Towards a Conceptual Framework. J Bank Regul 27, 36 (2026). https://doi.org/10.1057/s41261-026-00337-x

[17] Sharmin, S. (2026). Law and politics of AI-enabled central bank digital currency governance: A critical integrative review of commercial bank deposit stability, digital rights, surveillance risk, democratic accountability, and global justice in emerging economies. Journal of Interdisciplinary Research in Artificial Intelligence and Society, 2(1), Article 5. https://doi.org/10.20897/jirais/19193

[18] Zafar, A. (2026). The efficiency-legitimacy matrix: a law-and-economics qualitative framework for programmable central bank digital currencies. International Review of Law, Computers & Technology, 1–28. https://doi.org/10.1080/13600869.2026.2713364

[19] Freiman, O, CBDC Governance: Programmability, Privacy and Policies (September 01, 2024). Centre for International Governance Innovation's Digital Policy Hub Working Papers. CIGI Online. DOI: 10.2139/ssrn.5118025

[20] Buckley, RP, van Romburg, LJ The Need to Address the Broader Social Dimensions in Any Decision to Issue A Retail Central Bank Digital Currency. [2025] UNSWLRS 11

[21] Zafar A., (2026). Privacy as institutional design: A legal-technological analysis of CBDC governance and compliance. Computer Law & Security Review, 60:106258. DOI: 10.1016/j.clsr.2025.106258

b) **Democratic accountability.** How would decisions about digital cash be divided between the independent Reserve Bank, ministers accountable to Parliament, and Parliament itself? Which decisions would require legislative authorisation rather than internal RBNZ policy?

c) **Constitutional constraints.** Who would determine the permissible limits of programmability, transaction restrictions, information sharing and government access? What safeguards would prevent future administrations from expanding these powers without adequate scrutiny?

d) **Privacy and informational autonomy.** Who would be permitted to collect, access, combine and analyse information generated through digital cash transactions, particularly when linked to digital identity and existing government databases? How would privacy protections extend beyond individual consent and data security to safeguard citizens against surveillance, profiling and the expansion of state informational power?

e) **Centralisation of institutional power.** To what extent would interconnected digital monetary infrastructure concentrate financial, informational and administrative authority within the Reserve Bank, central government and authorised intermediaries? What institutional checks, independent oversight and enforceable limits would prevent this concentration of power from undermining individual autonomy, democratic accountability and the separation of powers?

Yet the publicly available record does not identify an independent constitutional assessment by New Zealand public-law experts, undertaken at arm's length from the RBNZ and Treasury, or a comprehensive domestic review of the concerns and risks identified across the relevant literature.

Issues of accountability and conflicts of interest, where a central bank both operates and regulates the CBDC and oversees competing payment systems have not been addressed;[22] financial stability risks remain largely theorised at IMF level;[23] and while IMF researchers may draw attention to some groups of risks, domestic privacy and third-party data sharing (across the private and public sector) remain unresolved.

Given the absence of leadership outside the RBNZ, it appears that the RBNZ itself is establishing the scope of what is discussed, and hence shaping the institutional rules under which it may subsequently operate.

Many countries have found that existing payment systems already meet public needs effectively.[24] Existing payment and banking infrastructure may offer alternative means of achieving public policy objectives without necessarily expanding the RBNZ's operational authority over retail payments. Publicly owned institutions such as Kiwibank, alongside existing commercial banks and

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[22] Bechara, M., Dumitrescu Pasecinic, A. D., & Kubota, T. (2025). Selected Legal Considerations for Central Bank Digital Currencies. Fintech Notes, 2025(006), Article A001. Retrieved Oct 26, 2026, from https://doi.org/10.5089/9798229028004.063.A001

[23] Gross, M., Miccoli, M., Verrier, J., & Villegas-Bauer, G. (2025). Evaluating the Implications of CBDC for Financial Stability. Fintech Notes, 2025(008), Article A001. Retrieved Oct 26, 2026, from https://doi.org/10.5089/9798229030878.063.A001

[24] International Monetary Fund. (2025). Central Bank Digital Currency: Further Navigating Challenges and Risks. Policy Papers, 2025(041), Article A001. Retrieved Oct 26, 2026, DOI: 10.5089/9798229032360.007.A001

government payment arrangements, warrant consideration in assessing alternative models. Financial inclusion, equitable access and the distribution of public funds are also matters of public policy that need not depend upon introducing a CBDC. These alternatives should be independently evaluated before additional central-bank powers are considered necessary.

Similarly, issues of equity and inclusion are socio-political issues that can be resolved through laws and rules supporting such policies. Parliament and the appropriations process can be utilised to inject money through the current systems (i.e. through the Crown Settlement Account (CSA), at the RBNZ through Westpac.

3. Systemic importance and crisis resilience require a broader assessment of power

Financial infrastructure can become indispensable through network effects, common technical standards, switching costs and institutional dependencies. Designating an infrastructure as systemically important may strengthen its oversight and resilience obligations, but does not itself establish that its ownership, governance or allocation of powers is appropriate.

We quote the RBNZ's 2023 Briefing for the Incoming Minister, explaining the RBNZ's comparatively broad mandate:

> *'The Reserve Bank is a 'full service' central bank, meaning we have a wide mandate that spans monetary policy, financial stability, cash operations, and financial markets infrastructure. When compared to other jurisdictions, it is clear that the Reserve Bank fulfils a wider mandate than many of our international comparators or counterparts.'*[25]

During crises, centralised infrastructure may support continuity and coordinated intervention. It may also increase dependence upon a single institutional architecture and amplify the consequences of failures, restrictions or exceptional decisions.

The IMF's observation that CBDC adoption may remain limited in non-crisis periods raises a further question about how adoption, public dependence and central-bank discretion might change during emergencies. 'Experiences from countries that have already issued CBDC suggest that adoption may be gradual or limited, particularly in non-crisis times.'[26]

These possibilities warrant explicit assessment, rather than an assumption that centralised infrastructure necessarily improves resilience.

The protection of physical cash, independently operable payment channels, smaller banking institutions and competing private-sector providers should therefore be considered part of resilience.

Central banks play an essential role in final settlement and financial stability. The question is whether those functions justify extending the RBNZ's authority over the strategic direction, operation, technical rules, access conditions and governance of the wider retail payment system.

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[25] RBNZ (Nov 27, 2023). Briefing for the Incoming Minister He Whakamārama mō te Minita Whakauru. https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/briefings/briefing-to-the-incoming-minister-2023.pdf

[26] Gross, M., Miccoli, M., Verrier, J., & Villegas-Bauer, G. (2025). Evaluating the Implications of CBDC for Financial Stability.

4. Constitutional accountability cannot be reduced to operational governance

The PFMI provide important standards for managing financial infrastructure risks. They are not a substitute for determining the legitimate distribution of public powers.

Where payment infrastructure may become interoperable with digital identity, government information systems and potentially retail CBDCs, the consequences extend beyond financial efficiency and operational resilience. They concern who can establish rules, determine access, authorise data linkage, impose restrictions, exercise emergency powers and change the architecture over time.

These questions warrant independent assessment under New Zealand's public-law and constitutional arrangements, including the respective roles of Parliament, Ministers, the RBNZ and other statutory regulators.

A further concern arises from the sequencing of the RBNZ's payments modernisation programme. The August 2026 issues paper identifies parallel workstreams concerning technical and platform requirements, and legal and governance reform.

However, technical architecture is not institutionally neutral. Decisions concerning interoperability, access, data standards, settlement arrangements and platform control can establish dependencies that subsequently constrain regulatory and governance choices.

The constitutional and institutional assessment should therefore precede, rather than merely accompany or follow, decisions that may establish enduring infrastructure arrangements. Otherwise, Parliament and the public may ultimately be presented with institutional choices already substantially determined by earlier technical decisions.

THE LIMITS OF THE CONSULTATION QUESTIONS

RBNZ engagement questions[27]

The current state of New Zealand's payment system

Q1: Do you agree with our description of the performance and capability gaps in New Zealand’s payment system? (Section 3.1)

Q2: Do you agree with our description of the strategic leadership gap and misaligned incentives in New Zealand’s payment system? (Section 3.2)

Q3: What benefits do you think payment modernisation can deliver? Are we missing any key benefits? (Section 3.3)

Acting for a well-functioning, future-proof payment system

Q4: Which parts of the current payment system are functioning well, and what factors do you see as contributing to this performance? (Section 4.1)

[27] Reserve Bank of New Zealand (2026), Modernising New Zealand's Retail Payment System, 18 August 2026, Engagement questions p. 5.

Q5: Given emerging technologies, what are the key considerations for a modern payment system in New Zealand to ensure it can remain adaptable into the future? (Section 4.1)

Q6: Do you agree with our principles for strategic leadership and reform? Are there any additional principles we should consider? (Section 4.2)

Q7: What do you see as the key trade-offs to consider for the future of the payment system? (Section 4.3)

Q8: Do you agree with our key questions for considering potential options? Are there any additional questions at the system or platform level that you think are important? (Section 4.4)

Q9: Do you have any feedback on criteria that we should use to assess future options to modernise the payment system? (Section 4.4)

The nine engagement questions reproduced above illustrate the limitations of the consultation's framing. They largely invite respondents to agree with the RBNZ's characterisation of existing problems, identify benefits, and suggest principles, trade-offs and criteria for a modernised system.

The public is not asked whether they consider that the RBNZ should acquire greater strategic or operational authority, whether its existing roles create institutional conflicts of interest, whether Parliament should first determine the limits of such authority, or whether the proposed direction risks concentrating financial and informational power.

Nor do the questions directly address the relationship between payments modernisation and the RBNZ's earlier CBDC programme, notwithstanding the significance of that relationship for constitutional accountability, privacy and individual autonomy.

For a programme potentially affecting nationally significant financial infrastructure and the future distribution of public powers, these are remarkably general questions.

They place substantial responsibility upon respondents to identify constitutional and institutional risks that the RBNZ itself should already have systematically examined and disclosed.

A consultation cannot meaningfully test public acceptance of institutional reform when its questions do not clearly identify the powers, interests and constitutional safeguards that may be at stake.

CONCLUSION: CONSTITUTIONAL AUTHORITY, INSTITUTIONAL POWER AND PUBLIC ACCOUNTABILITY

PSGRNZ has submitted this Addendum because of concerns that the modernisation of New Zealand's retail payment system is being considered without a sufficiently independent examination of the constitutional and institutional consequences of the infrastructure being contemplated.

As we discuss above, five interrelated matters require particular scrutiny: (a) monetary authority and issuance, including who may authorise the creation, circulation and withdrawal of digital central-bank money; (b) democratic accountability, including the division of authority between

Parliament, Ministers and the RBNZ; (c) constitutional constraints, including enforceable limits on programmability, transaction restrictions and the future expansion of discretionary powers; (d) privacy and informational autonomy, particularly where monetary transactions may become interoperable with digital identity and government information systems; and (e) the centralisation of institutional power, including the concentration of financial, informational, regulatory and administrative authority within the state and its authorised intermediaries.

These questions extend beyond the technical to encompass considerations relating to the legal boundaries of monetary sovereignty, the relationship between citizens and the state, and the institutional safeguards necessary to prevent the misuse or progressive expansion of public power.

The RBNZ has acknowledged that concentrated private-sector control of payment infrastructure can undermine competition, innovation and accountability. However, it has not subjected the potential concentration of authority within the central bank itself to an equivalent independent assessment. Nor has it adequately distinguished improvements to existing payment infrastructure from architectural decisions that could facilitate a future retail CBDC.

Our September submission[28] further demonstrated that the case for extensive reform has not been established through a sufficiently transparent comparison of existing arrangements, reforms already underway, incremental improvements and alternative institutional models. Open Banking, the Consumer Data Right and other developments warrant proper evaluation before their limitations are used to justify more far-reaching structural changes.

PSGRNZ believes that the following steps should be taken before preferred institutional or infrastructure options are narrowed:

1. **Independent constitutional and public-law review.** Commission an examination, at arm's length from the RBNZ and Treasury, involving New Zealand public-law scholars and other independent experts, of the constitutional foundations of monetary authority, the limits of delegated central-bank powers, and the respective responsibilities of Parliament, Ministers and statutory regulators. This must explicitly address all five matters identified above.
2. **Independent assessment of institutional conflicts.** Examine the potential conflicts arising from the RBNZ's combined roles in strategic leadership, infrastructure operation, regulation and oversight, with reference to PFMI Principle 2 and paragraph 3.2.7. This assessment must consider whether institutional separation and external oversight are required, rather than relying solely upon internal management arrangements.
3. **Full disclosure of the relationship with digital cash.** Publish a consolidated account of how the RBNZ's 2024 CBDC research, subsequent investigations and strategic decisions have informed the payments modernisation programme. Identify which proposed capabilities or investments are justified independently by existing payment needs and

[28] PSGRNZ (September 10, 2026). Response ID ANON-9P3F-6N4X-J Submitted to Modernising New Zealand's retail payment system. https://psgr.org.nz/component/jdownloads/send/1-root/229-2026-rbnz

which are intended to support possible future CBDC issuance or interoperability with digital identity and government data systems.

4. **Comparative assessment of genuinely different models.** Independently evaluate incremental improvements, existing reforms and alternative ownership, operating and governance arrangements. This should include models retaining central-bank settlement while separating retail-platform operation, strategic direction, competition regulation and independent oversight. The assessment must address costs, benefits, competition, smaller financial institutions, access, privacy, reversibility and crisis resilience.
5. **Statutory safeguards and parliamentary scrutiny.** Establish which decisions must be reserved to Parliament, including any introduction of retail CBDCs, substantial expansion of central-bank discretionary powers, and authorisation of capabilities affecting programmability, transaction restrictions, personal information or cross-system interoperability. Consider an overarching statutory framework governing digital public infrastructure, with enforceable protections for informational autonomy, institutional separation, independent oversight and public accountability.
6. **Protection of independent alternatives.** Preserve and assess the resilience contribution of physical cash, independently operable payment channels, smaller financial institutions and competing providers. Efficiency and interoperability must not become justifications for eliminating alternatives that provide essential safeguards against financial, technical or institutional failure.
7. **A properly informed further consultation.** Following publication of these assessments, undertake a further consultation presenting the public with substantive competing options, their evidential foundations, foreseeable risks and institutional consequences. Public agreement with broadly desirable objectives such as efficiency, resilience and innovation must not be interpreted as endorsement of a particular allocation of power or technological architecture.

The RBNZ's existing statutory mandate and ministerial endorsement of its leadership do not, in themselves, resolve these wider questions of constitutional legitimacy. Nor can international technical standards governing financial infrastructure substitute for democratic determination of the powers that public institutions should possess.

The case for faster and more effective payments must remain separate from the case for establishing new forms of state-issued digital money or concentrating control over nationally significant digital infrastructure. These decisions may have enduring consequences for financial autonomy, competition, public accountability and the practical limits of state power.

New Zealand has an opportunity to examine these consequences before its institutional arrangements become difficult to reverse. That opportunity should not be lost through a process in which the institution proposing reform is also principally responsible for defining the problem, evaluating the alternatives and shaping its own future authority.