

Submission by



to the

Department of Internal Affairs

on

Te koke ki tētahi Rautaki Matihiko mō Aotearoa,

Towards a Digital Strategy for Aotearoa

10 November 2021

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Towards a Digital Strategy for Aotearoa

1. SUMMARY

- 1.1. FinTechNZ congratulates the Department of Internal Affairs (DIA) for its leadership in proposing a Digital Strategy for Aotearoa and we thank you for the opportunity to contribute feedback.
- 1.2. FinTechNZ supports the creation of a Digital Strategy for Aotearoa and is generally supportive of the Strategy's proposed vision and goals, which align with the purpose of FintechNZ (Advance, Promote, Connect). To support the effective delivery and implementation of the Strategy, there are a range of opportunities for the Government to support the fintech sector to achieve its vision of Mahi Ahe (Growth), Mahi Tika (Trust) and Mahi Tahī (Inclusion).
- 1.3. We believe that the Strategy needs to recognise that innovation in the fintech sector is crucial to meeting New Zealand's digital aspirations. Regulation should therefore provide sufficient room for innovation and be an enabler, not a barrier.
- 1.4. FinTechNZ welcomes the opportunity to work with DIA to contribute to the future development of the Strategy.

2. **BACKGROUND**

- 2.1. FinTechNZ is a part of the NZ Tech Alliance and has a broad membership base of over 170 financial service providers or financial technology providers in the areas of banking, payments, lending, financial literacy, wealth management, insurance, regulatory technology, industry advisors and cloud infrastructure.
- 2.2. FinTechNZ's purpose is to advance, promote and connect the industry to deliver economic benefit to its members and New Zealand, and support the prosperity and financial wellbeing of consumers of financial technology services in New Zealand.
- 2.3. Financial services are a key vertical for digital adoption given the socio-economic benefits a well-functioning sector can deliver for both individuals and business.
- 2.4. We have also encouraged our members to contribute directly to producing this submission.

3. **COMMENT**

- 3.1. FinTechNZ is generally supportive of the Strategy proposed framework outlining its visions and goals, particularly given the consultation with our parent entity, NZTech. The Strategy's foundational vision and goals (Mahi Ahe, Mahi Tika and Mahi Tahī) reflect the purpose of FinTechNZ (Advance, Promote and Connect) and there is benefit in industry being aligned with the Strategy.
- 3.2. We have identified key areas, outlined below, which we believe deserve further consideration to deliver on the Strategy's vision and goals, which best represent the interests of our members.

4. ***Mahi Ake – Growth***

To implement the Strategy's proposed Mahi Ake vision, FinTechNZ recommends the following:

- 4.1. **Improve access for fintech providers to regulators** in both domestic and offshore regions for fintech providers to fast-track innovation and commercial viability for new services.
- 4.2. **Adopt international best practice and interoperable standards where possible** in relation to digital financial services noting that New Zealand exporters will want to enter foreign markets with minimal disruption to their business and risk models.
- 4.3. **Accelerate consumer data right (CDR) legislation and the implementation of a designated framework for financial services** that removes barriers to entry, enables wide participation by fintech providers, and consistently manages data privacy, liability, and risk. On this issue, we would encourage DIA to avoid the

shortcomings of other countries such as Australia which have implemented a CDR regime and not seen the intended uplift of partnering between fintech and incumbent banking institutions.

- 4.4. **Government support to promote NZ fintech companies to offshore markets.** This support could include dedicated resources and funding via FinTechNZ and NZTE; a dedicated policy for digital and fintech providers in New Zealand free trade agreements; funding for offshore trade delegations and major global fintech expos; and strategic partnerships with global fintech agencies.
- 4.5. **Engaging with Singapore and Australia on establishment of a fintech bridge,** we believe this would lead to enhanced regulatory cooperation, support for fintech firms, and safe and secure data sharing.
- 4.6. **Working with trade partners to support implementation of international commitments on digital trade,** including in Southeast Asia. This should include negotiating high quality digital trade rules that build on existing free trade agreements.
- 4.7. **Supporting digital SMEs** by lifting digital capability and adoption across the economy to support new ways to work and do business. This will increase profitability and save businesses time.
- 4.8. **Providing additional investment (e.g. R&D, tax incentives) that drives an uplift in the rest of the economy.** A review of the venture capital market and tax incentives designed to attract investment in early-stage companies to drive innovation. We recommend the Government review current arrangements to ensure they are fit-for-purpose and support genuine early-stage start-ups.

5. **Mahi Tika – Trust**

To implement the Strategy’s proposed Mahi Tika vision, FinTechNZ recommends the following:

- 5.1. **Provide additional information to consumers and fintech providers.**
 - 5.1.1. A critical success factor for digital adoption is consumer education so that individuals and businesses are clearly informed about their rights and their responsibilities for data or payment related disputes. Fintech providers need clarity on their rights and responsibilities, and, specifically, their exposure to liability.
 - 5.1.2. In this regard, FinTechNZ supports the proposal in the paper to *ensuring fit for purpose governance processes for the use of data-driven technology, including investigating the need for independent oversight [page 14]*. We would encourage this framework to include clear and reasonable policies for

fintech provider liability.

5.2. Establish data governance and security standards across government and the fintech industry.

5.2.1. As we implement regulation in different parts of the digital economy, it is important that we standardise data governance and security standards across government and industry verticals according to a uniform assessment of risk to consumers.

5.2.2. The standards should be interoperable and mirror international best practice. A good example of this is the consultation between Inland Revenue and [DSPANZ](#) on appropriate security standards for digital service providers. These could be extended to other regulatory frameworks, such as CDR, which would also establish a precedent for private sector agreements. This would avoid compliance costs and encourage greater collaboration and innovation.

5.2.3. We support the following statement in the paper with the caveat that security standards should accurately reflect the risk of digital use cases and not set the bar so high as to stifle participation *The Government Chief Information Security Officer is working with Cloud platform providers to create security templates that anyone in New Zealand can use. The templates apply a core set of security controls to their cloud environments and can maintain continuous assurance of those controls [page 13].*

5.3. Establish a Digital Identity

5.3.1. Establishment of a Digital Identity will provide individuals and businesses with a single, secure way to use services more effectively.

6. Mahi Tahī – Inclusion

To implement the Strategy's proposed Mahi Tahī vision, FinTechNZ recommends the following:

6.1. **Provide additional funding for small business to access fintech.** We applaud the digital boost programme but would like to see greater funding available to small business in the way of subsidised subscriptions to eligible NZ fintech providers. This would have broader economic benefits – a 20% uptake in cloud-based technology would add up to \$6.2 billion in annual GDP growth for New Zealand's economy ([Xero NZIER research](#)).

6.2. **Work with FinTechNZ to establish a subsidy scheme for the fintech sector.**

6.3. **Accelerate the implementation of real time settlement in the New Zealand clearing system** to enable the development of alternative payment services and

attract new payment service providers.

- 6.4. **Improve ease of access to participate in the New Zealand clearing system** for non-bank payment service providers to enable more competition and greater consumer choice.
- 6.5. **Accelerate implementation of ISO 20022 payments messaging**, which is currently scheduled for 2025, to enable more data driven insights and payment service innovation from fintech providers.
- 6.6. **Continue improving digital inclusion for Māori by showcasing successful Māori fintech companies.** FinTechNZ acknowledges and supports the suggestions to improve digital inclusion for Māori. We would further encourage government to showcase the leadership of successful Māori owned and operated fintech companies to improve adoption and encourage more Māori entrepreneurship in the sector.

7. CONCLUSION

- 7.1. Thank you for the opportunity to provide feedback on the discussion document. We are happy to engage further with DIA to discuss our submission and provide any further assistance.

Yours sincerely,

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