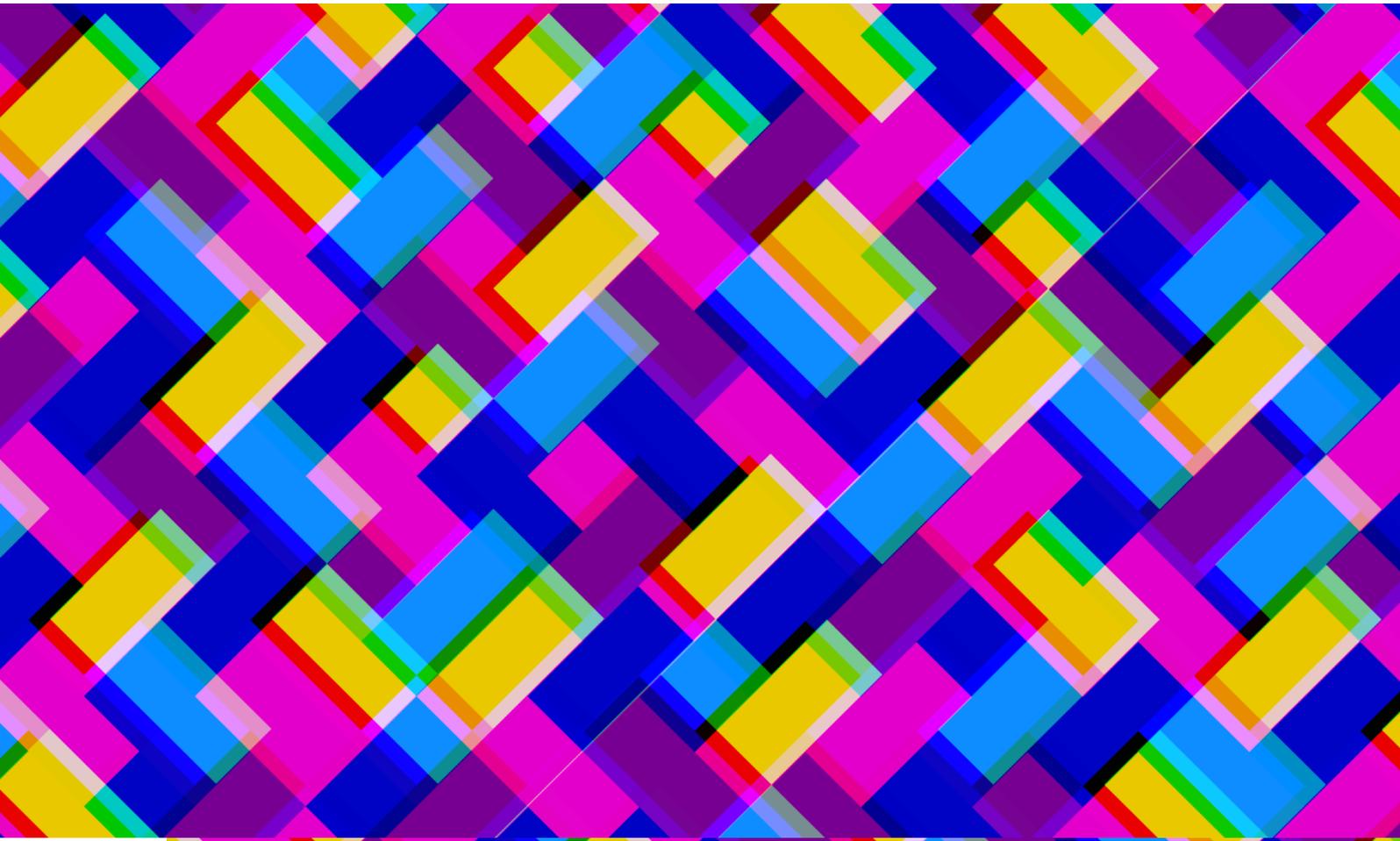


# Issues Paper: Access to Basic Transaction Accounts

Council of Financial Regulators Financial Inclusion  
Community of Practice

23 April 2025



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## Foreword

We are pleased to be releasing the first Issues Paper that we have developed jointly as part of the Council of Financial Regulators (CoFR), Kaunihera Kaiwhakarite Ahumoni.

CoFR contributes to maximising New Zealand's sustainable, economic wellbeing through effective and responsive regulation of the financial system. CoFR helps to facilitate co-operation and co-ordination between members to support this. By working together across agencies, we are better positioned to identify and address challenges affecting our financial system that may not clearly sit within a single agency remit.

Financial inclusion is one of CoFR's five priority themes, involving collaborative work to support New Zealanders' access to useful and affordable financial products and services that meet their needs. Transaction accounts are a vital financial product that can be an entry point for people into the financial system, helping them to receive money, manage their money, make payments, and store/save their money for unforeseen circumstances or emergencies. During CoFR's engagement with industry, community organisations and academics, we have heard concerns around access to transaction accounts in Aotearoa New Zealand, prompting further work in this area.

Financial regulators in other jurisdictions have been active in developing policy initiatives to improve access to basic transaction accounts. This Issues Paper draws on international evidence and lessons learned from over 70 jurisdictions. We see that many of the countries that CoFR normally look to as benchmarks for best practice in financial regulation have minimum standards for the provision of basic transaction accounts. As CoFR, we have been building on the lessons learned overseas and engaging with our international peers to identify potential pathways to improve access to transaction accounts in Aotearoa New Zealand.

We would like to support deposit takers to play an active role in the provision of basic transaction accounts that meet the needs of underserved customers, and the insights in this paper are a starting point for public engagement on this topic. This Issues Paper also serves as an important step to support the recent Commerce Commission Market Study into Personal Banking Services recommendation that industry should cooperate (and work closely with CoFR) to make basic bank accounts widely available. We are seeking input from financial providers and people or groups affected by this issue on the problems identified, and the opportunities to improve access to basic transaction accounts. Our aspiration is a financial system that supports efficiency, inclusion, prosperity and wellbeing, and we look forward to further engagement with key stakeholders on this important topic.

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## Executive Summary

Improving access to financial products and services that meet the needs of consumer and firms is a priority for the Council of Financial Regulators Financial Inclusion Community of Practice (CoFR FI; we, us, our). This Issues Paper explores the concept of basic bank accounts, or basic transaction accounts<sup>1</sup> as a potential policy tool to promote financial inclusion, aligning with Recommendation 14 from the Commerce Commission Market Study into Personal Banking Services.

### Transaction accounts are vital, but some New Zealanders struggle to access them

Transaction accounts enable individuals and firms to gain access to the formal financial sector, facilitating everyday banking activities like cash deposits, payments, and withdrawals. Transaction accounts serve as a first step toward greater financial inclusion, paving the way for access to additional services such as credit, savings, and insurance products. Research conducted by CoFR members and stakeholders, including deposit takers<sup>2</sup>, academics<sup>3</sup>, community organisations<sup>4</sup>, and the recent Commerce Commission Market Study into Personal Banking Services (Market Study)<sup>5</sup> has highlighted that it can be difficult for some customers to open transaction accounts. The World Bank estimates that there are around 50,000 (1.3%) unbanked New Zealanders which is an increase from 0.8% in 2017 and 0.5% in 2014.<sup>6</sup> In addition, the 2024 FMA Consumer Confidence Survey found that approximately 3.3% of adults in Aotearoa New Zealand (18 and over) did not have at least one type of deposit account.<sup>7</sup> RBNZ has also commissioned research from ThinkPlace NZ, a social research agency, to better understand the scale of issues associated with access to banking, the underlying drivers of these issues, and impacted customer segments.<sup>8</sup>

### We have outlined the problem definition and objectives

We have assessed the current state of access to transaction accounts and recognise that challenges in account opening process can contribute to financial exclusion<sup>9</sup>. A key issue is that some individuals face difficulties in opening transaction accounts under existing requirements and practices. The First Steps to Financial Inclusion Report found that the way customer due diligence (CDD) checks are implemented, such as ID and proof of address verification, can impact access to bank accounts for some customers including recent migrants, older customers, not-for-profit entities, rural and remote communities, and people with disabilities. This research also identified grey areas where some frontline staff reported complexity in customer onboarding, such as understanding what forms of ID they can accept and when they can use flexibility or exceptions to onboard customers without ID or proof of address. While CDD is essential for detecting and deterring financial crime, the way customer CDD requirements are being implemented can create unintended consequences for New Zealanders.

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<sup>1</sup> A transaction account refers to a New Zealand dollar financial account that meets peoples' transactional needs (e.g. payments and withdrawals). This term is used in this paper (rather than 'bank account') as transaction accounts are provided by a range of entities including banks, credit unions, and building societies

<sup>2</sup> [Westpac-NZ-Access-to-Banking-in-Aotearoa-Report.pdf](#)

<sup>3</sup> [Paying the Price – A report into issues prisoners face around access to banking | FinCap](#)

<sup>4</sup> [irp.cdn-website.com/96a27c73/files/uploaded/Community Networks Aotearoa - Better Banking 2023 Report.pdf](#)

<sup>5</sup> [Commerce Commission - Market study into personal banking services \(comcom.govt.nz\)](#)

<sup>6</sup> World Bank Group. [The Global Findex Database 2021](#).

<sup>7</sup> [FMA Consumer Confidence Survey 2024](#)

<sup>8</sup> [First steps to financial inclusion - Opportunities to promote inclusive customer onboarding - Reserve Bank of New Zealand - Te Pūtea Matua](#)

<sup>9</sup> See Appendix One for interpretation of key concepts relating to financial inclusion and varying levels of access to financial products and services.

The barriers to customer onboarding create a gap between the supply of transaction accounts and demand from potential customers, leaving some people unable to access these essential services. Complexity in the onboarding process can reflect both market and regulatory challenges, with ongoing negative impacts on people given the importance of transaction accounts for economic and societal participation. The main objective underpinning CoFR's work on this Issues Paper is to identify options for reducing unnecessary barriers, and enhancing market incentives, to improve access to basic transaction accounts that meet the needs of underserved communities in NZ.

## We have explored international approaches to improve access to bank accounts

There is a growing body of information and knowledge among international standard setters on practices that can improve access to, and usage of, financial products and services. A core premise of international efforts in financial inclusion is that everyone should be entitled to a basic transaction account that allows them to make and receive payments, and store or save money.<sup>10</sup> A common tool used in other jurisdictions to improve access to transaction accounts is the introduction of 'basic transaction accounts' and minimum standards for their provision. The 2021 World Bank Global Payment Survey<sup>11</sup> highlighted that 81.0% (59/71) of surveyed countries have adopted minimum standards for basic transaction accounts, providing a strong basis to learn from international best practices in this area. We have explored the definition and features of basic transaction accounts internationally, as well as the efforts that financial regulators and industry have taken to make them widely available.

## CoFR is seeking input on the opportunities to improve access to basic transaction accounts

We have identified three main approaches adopted in other jurisdictions to develop and ensure the widespread availability of basic transaction accounts: regulatory requirements, an industry-led approach, and a hybrid approach that involves close collaboration between regulators and the financial providers. We are seeking input on three key areas related to the findings from our research:

- 1. The problem definition and policy objective:** We are seeking feedback from stakeholders on whether we have appropriately defined the key issues associated with access to transaction accounts, whether there is broad support for the concept of a basic transaction account, or whether there are other effective solutions that would improve access to transaction accounts.
- 2. The definition of a basic transaction account:** We are seeking input on the high-level definition and broad features of a basic transaction account that would meet the needs of underserved communities in Aotearoa New Zealand.
- 3. The approach to designing and implementing basic transaction accounts:** We are seeking input on whether the banking sector is well positioned to set minimum standards for the provision of basic transaction accounts, whether regulatory support could be required, or whether collaboration could take place to set the parameters of tailored

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<sup>10</sup> World Bank Group. (2017). *Financial Inclusion and Inclusive Growth - A Review of Recent Empirical Evidence*.

<sup>11</sup> World Bank. (2021). *A Snapshot Payment Systems Worldwide - Summary Outcomes of the Sixth Global Payment Systems Survey*.

customer due diligence requirements to make basic transaction accounts widely available through a hybrid approach.

At this stage, CoFR is keeping an open mind as to whether the banking industry is able to implement basic transaction accounts, or whether regulatory support is required. Product innovation or enhancing current practices to offer basic transaction accounts could provide opportunities for entities to broaden their deposit base and enhance their social licence to operate.

This paper aims to start a conversation on the issue of access to basic transaction accounts and supports greater collaboration on the design and delivery of possible solutions. We have allowed **eight weeks** to gather feedback on these three areas, and we welcome input from stakeholders across the financial sector, as well as communities more broadly who are affected by access to bank account issues. Please provide your comments via Citizen Space by Wednesday 18 June 2025. Please see the CoFR website [here](#)<sup>12</sup> for more information.

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<sup>12</sup> <https://www.cofr.govt.nz/priority-themes/inclusion.html>

# 1. Background and outline

Financial inclusion and access to basic transaction accounts is a priority for CoFR

CoFR's vision of financial inclusion is to improve access to financial products and services that meet the needs of both consumers and firms. In August 2024, CoFR agreed to develop a joint issues paper on access to basic transaction accounts.<sup>13</sup> By focusing on transaction accounts, we aim to ensure people can access a fundamental financial tool that can serve as a gateway to broader financial inclusion. The main objective underpinning CoFR's work in this area is to reduce unnecessary barriers and enhance market incentives to improve access to basic transaction accounts that meet the needs of underserved communities in NZ. Working towards this objective will contribute to the financial prosperity and wellbeing of all New Zealanders, and support effective and responsive regulation of the financial system.<sup>14</sup>

Recent research has highlighted the issue of access to transaction accounts

CoFR's interest in the issue of access to transaction accounts has been informed by our engagements and recent research. Over the last two years, the CoFR Financial Inclusion Community of Practice has met with a range of stakeholders on financial inclusion to understand issues that cut across our respective roles and remits. Some of the individuals and organisations we have met with include:

- Westpac NZ<sup>15</sup> regarding the *Westpac NZ Access to Banking in Aotearoa Report* and the *Disability and Inclusion in Banking Report*, which explore access to banking barriers, the impact of not having a transaction account, and the size and significance of this issue;<sup>16</sup>
- Victoria Stace<sup>17</sup> regarding joint FinCap<sup>18</sup> and Victoria University research *Paying the Price* on access to banking for former prisoners, which builds a picture of the issues faced by prisoners and people coming out of prison when seeking access to a transaction account;<sup>19</sup>
- FinCap and Christians Against Poverty<sup>20</sup> on the impacts of financial exclusion that financial mentors are seeing in their work with clients across Aotearoa New Zealand;
- MyMahi<sup>21</sup> on the issues that young people face when opening transaction accounts;<sup>22</sup>
- Community Networks Aotearoa<sup>23</sup> on the *Better Banking* report, which examines issues experienced with access to banking services for not-for-profit entities (particularly for smaller charitable trusts)<sup>24</sup>; and

<sup>13</sup> <https://www.cofr.govt.nz/news-and-publications/quarterly-statement-by-cofr-august-2024.html>

<sup>14</sup> <https://www.cofr.govt.nz/about-us/objectives-and-responsibilities.html>

<sup>15</sup> Westpac New Zealand - Helping New Zealanders with their banking.

<sup>16</sup> Westpac NZ Access to Banking in Aotearoa Report 2023.pdf

<sup>17</sup> Victoria Stace is a senior lecturer at Te Waka Herenga Victoria University of Wellington faculty of law: [Victoria Stace Profile | Te Herenga Waka — Victoria University of Wellington \(wgt.ac.nz\)](#)

<sup>18</sup> FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 185 local, free financial mentoring services across Aotearoa. <https://www.fincap.org.nz/>

<sup>19</sup> *Paying the Price – A report into issues prisoners face around access to banking* | FinCap

<sup>20</sup> Christians Against Poverty (CAP) offer free debt counselling and money education, helping people to live on a budget, pay off debts and grow in financial capability.

<sup>21</sup> MyMahi is an educational platform that supports learners on their journey through education and employment: <https://mymahi.com/>

<sup>22</sup> Written Submission: MyMahi Petition (July 2023) ([www.parliament.nz](http://www.parliament.nz))

<sup>23</sup> Community Networks Aotearoa is the umbrella organisation for local community networks, with their membership consisting of not-for-profit and voluntary social service organisations nationwide. [communitynetworksaotearoa.org.nz/about](http://communitynetworksaotearoa.org.nz/about)

<sup>24</sup> Community Networks Aotearoa. (2023). *Better Banking - Creating Ease of Banking for the Not-for-Profit Sector*.pdf

- ThinkPlaceNZ, who RBNZ commissioned to undertake research on the Customer Onboarding Processes from the perspective of frontline staff and underserved customers, to clarify the problem definition and underlying drivers behind access to banking issues.<sup>25</sup>

Access to transaction accounts was a persistent topic raised during our meetings with these organisations as an issue impacting New Zealanders and preventing some people from fully participating in the economy and society.

### This Issues Paper explores a recommendation in the Market Study

The Commerce Commission's Market Study into Personal Banking Services (Market Study) stated that some New Zealanders are not well served by existing banking products, and financial exclusion can have far reaching consequences for people's lives.<sup>26</sup> As a result, the Market Study recommended that "Industry should cooperate to make basic bank accounts widely available, including minimum standards, promotion among relevant population groups and ensuring frontline staff are appropriately trained and supported"(Recommendation 14).<sup>27</sup> As part of the recommendation, the Commission recommended that industry work closely with CoFR to leverage existing knowledge and ongoing research in this topic.

### This paper focuses on assessing the merits of basic transaction accounts

The scope of this paper is limited to considering basic transaction accounts, based on the parameters of the Market Study recommendation. This Issues Paper is not a first principles review of all policy options for improving access to transaction accounts. The scope is also limited to considering how we can help to improve *the supply* of basic transaction accounts with a focus on customer onboarding and does not look at demand side factors (e.g. financial capability of potential customers or the ability of customers to get to a bank branch). The paper is divided into three sections:

1. **Current state:** This section describes the current state of access to transaction accounts in Aotearoa New Zealand, in order to define the main problem and policy objective.
2. **International experiences:** This section explores international practices to improve access to basic transaction accounts that meet the needs of underserved or excluded customers.
3. **Pathways for action:** This section highlights opportunities to advance this issue, and the key areas where we are aiming to gather feedback from key stakeholders.

This paper aims to bring together a clear description of the issues and potential pathways to improve access to basic transaction accounts, to support collaborative work from industry, regulators and community stakeholders.

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<sup>25</sup> [First steps to financial inclusion - Opportunities to promote inclusive customer onboarding - Reserve Bank of New Zealand - Te Pūtea Matua](#)

<sup>26</sup> [Commerce Commission NZ, Final Report Personal Banking Services Market Study 2024.pdf \(comcom.govt.nz\)](#)

<sup>27</sup> [Commerce Commission NZ, Final Report Personal Banking Services Market Study 2024.pdf \(comcom.govt.nz\)](#). Work to improve access to bank accounts also relates to the government's commitment to provide regulatory clarity, protect vulnerable consumers, and grow the economy, and Manifesto Commitment 50 to develop protocols to allow simplified verification to comply with anti-money laundering requirements. See for example, [Supporting better financial outcomes for Kiwis | Beehive.govt.nz](#) and [Rebuilding the economy.pdf \(nationbuilder.com\)](#)

## 2. The current state of access to transaction accounts

This section aims to provide a comprehensive analysis of the challenges surrounding access to transaction accounts, the underlying drivers of the issue, and why market and regulatory forces have been insufficient in addressing systematic issues associated with access to banking so far. This section covers:

- Issues and friction points in opening transaction accounts
- The economics of transaction accounts
- Industry perspectives

### Section summary

- The World Bank estimates that approximately 50,000 adults are financially excluded in Aotearoa New Zealand. This is an increase in the unbanked population from 2014 and 2017, with the caveat that there is a significant degree of uncertainty due to the sample size and methodology applied in this survey.
- However, based on a wider set of quantitative and qualitative information (such as the First Steps to Financial Inclusion Report 2025), we interpret that issues associated with opening transaction accounts are relatively common, which can have a significant impact on people in a variety of circumstances, hindering their ability to participate fully in the economy and society.
- Transaction accounts are being offered at a very low cost and no cost, but there are non-cost factors that are resulting in friction during customer onboarding. We find that the drivers of issues associated with opening transaction accounts are primarily related to the time, resources and perceived risks associated with CDD checks for customer onboarding. This friction is preventing some customers from accessing transaction accounts in an efficient manner or resulting in financial exclusion.
- We interpret that a market and regulatory failure could persist if there is an ongoing mismatch between commercial incentives for onboarding customers (risk vs reward), and wider societal benefits of having widespread access to transaction accounts.
- Some banks have indicated that they are unlikely to solve access to banking issues by themselves without support or clarity on how basic transaction accounts could align with regulatory expectations, or transparency in measuring industry-wide efforts over time.
- There may be shared opportunities for financial regulators and the deposit-taking sector to contribute to removing unnecessary barriers for the provision of basic transaction accounts, to support reasonable access to products and services that meet the needs of underserved communities.

## 2.1. Issues and friction points in opening transaction accounts

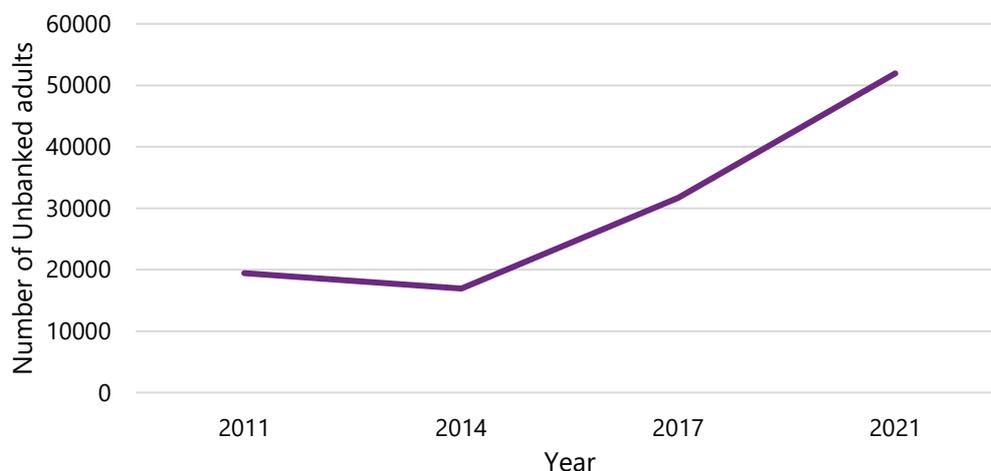
### Transaction accounts are an essential utility provided by deposit takers

Transaction accounts (also known as bank accounts or payment accounts) enable people and entities to conduct their day-to-day banking needs such as depositing cash, making payments and receiving money. Opening a transaction account is often a customer's first interaction with the financial system and can support progression for people to other financial products and services over time (for example, savings, investments, credit and insurance). Deposit takers have a range of initiatives underway to promote accessible banking services.<sup>28</sup> CoFR has explored the size of the population who do not have a transaction account.

### The number of people in New Zealand who do not have a transaction account

There are various estimates of the unbanked population. **Figure 1** below outlines World Bank's Global Findex 2021 data that 1.3% of New Zealanders (who are at least 15 years old) did not have a financial institution account, or approximately 50,000 adults. This figure is an increase from 0.5% in 2014 and 0.8% in 2017.<sup>29</sup>

**Figure 1: Size of the unbanked adult population in NZ**



Source: World Bank Global Findex Database.

The 2024 FMA Consumer Confidence Survey found that approximately 3.0% of adults in Aotearoa New Zealand (18 and over) did not have any type of deposit account.<sup>30</sup> In addition, one third of young people using the MyMahi Education Platform reported not having a transaction account in a 2023 survey (based on 1,027 respondents), suggesting that this issue may be felt sharply by younger customer segments or those who are attempting to open an account for the first time.<sup>31</sup> It is worth noting that each of the demand side surveys and estimates outlined in this paper can have limitations and levels of uncertainty, depending on the sampling techniques. RBNZ has a project underway to improve measurement on access

<sup>28</sup> Thematic review on financial inclusion - Reserve Bank of New Zealand

<sup>29</sup> World Bank Group. *The Global Findex Database 2021*.

<sup>30</sup> *FMA Consumer Confidence Survey 2024*

<sup>31</sup> *Petition of MyMahi: Make it easier for young people to open a bank account. July 2023*

to banking issues and expect to release a snapshot into levels of financial inclusion in 2025 based on an initial set of indicators.

### **We have explored the barriers that impact access to transaction accounts**

There are a range of potential barriers that may prevent people from opening transaction accounts, including both supply side factors (related to financial providers) and demand side factors (related to customers). On the supply side, there can be barriers related to branch hours, physical accessibility issues, eligibility criteria, and customer onboarding requirements that impact access to transaction accounts.<sup>32</sup> On the demand side, the characteristics and circumstances of potential customers can also cause friction, such as the ability of customers to take time off work to go into a bank branch, varying levels of confidence and capability with financial matters, access to documents, and whether people are able to navigate digital platforms such as banking applications.<sup>33</sup> We have undertaken further analysis to understand the barriers that play a significant role in constraining access to transaction accounts in NZ.

### **Cost does not appear to be a factor constraining access to transaction accounts**

As part of the Financial Inclusion Thematic Review (the Thematic Review), RBNZ gained insights on the transaction accounts offered by 20 deposit takers ranging from large banks to smaller non-bank deposit takers.<sup>34</sup> The Thematic Review found that approximately a third of participating deposit takers offered transactional accounts with no transaction fees, with the remainder offering relatively low fee accounts, and almost all participating deposit takers did not require a minimum opening balance for transaction accounts.

Findings from the Thematic Review suggest that cost barriers (e.g. meeting minimum balance requirements and high or unpredictable fees) are not a significant barrier that can impact customer onboarding and the ability of customers to open transaction accounts. More often, deposit takers reported that barriers can arise due to the amount of information needed to satisfy customer onboarding requirements. Our discussions with deposit-taking entities as part of the Thematic Review pointed to customer onboarding requirements being a significant barrier that can impact access to transaction accounts, highlighting the need for further exploration into customer onboarding processes.

### **There is limited reporting on declined applications for transaction accounts**

As part of the Thematic Review, RBNZ asked entities for information on their practices associated with measuring access to transaction accounts and customer onboarding for transaction accounts. The Review found that 39% of participating deposit takers collect information on the number of applications for transaction accounts that are accepted and declined. For entities collecting information on the number of accepted and declined applications transaction accounts, some deposit takers indicated that further work would be required for them to provide information on the reason why an application was declined. The Thematic Review found that many deposit-taking entities are not assessing how many potential deposit customers they are turning away, nor reporting on the reasons they are not able to open transaction accounts for some customers in a centralised or co-ordinated way.

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<sup>32</sup> [First steps to financial inclusion - Opportunities to promote inclusive customer onboarding - Reserve Bank of New Zealand - Te Pūtea Matua](#)

<sup>33</sup> [World Bank Group. \(2016\). Payment Aspects of Financial Inclusion.](#)

<sup>34</sup> [Reserve Bank of New Zealand. Thematic review on financial inclusion.](#)

## Customer onboarding processes for transaction account can be difficult

RBNZ commissioned research with ThinkPlaceNZ titled 'First Steps to Financial Inclusion' to help offer insights into the barriers to open accounts during customer onboarding processes.<sup>35</sup> The research explored how often frontline banking staff experience issues during customer onboarding, how often they are unable to open accounts, the customer segments impacted, and the common underlying drivers of issues.

It appears that issues with access to transaction accounts are seen by frontline bank staff on a relatively frequent basis and can impact people in a variety of circumstances.<sup>36</sup> A third of frontline staff surveyed said that they were unable to open a bank account for a customer often or very often (on a monthly or weekly basis). The survey undertaken with 722 frontline bank staff also highlighted that access to banking issues can impact a range of customers, including young people, rural communities, recent migrants, the elderly, trusts and not-for-profits, and non-English speakers. The research suggests that the translation of risk appetite in managing customer onboarding risks extends beyond the original policy intent for customer due diligence processes. This creates unintended consequences for New Zealanders, constraining access to banking services for some consumers.

## Problems with access to transaction accounts appears to be widespread

The First Steps to Financial Inclusion Report suggests that problems associated with access to transaction accounts are primarily related to the way CDD checks are being implemented. Frontline staff reported that ID requirements, proof of address and complexities of paperwork are the top three barriers impeding them from opening transaction accounts for people. Other key factors included physical access to bank branches and the circumstances of customers (such as language barriers and financial capability). In addition, the internal policies and processes reported by frontline staff were weighted towards a risk averse approach to customer onboarding, with 76% of frontline staff reporting being encouraged to take a cautious or very cautious approach to customer onboarding, and 16% reporting being encouraged to take a moderate approach. This suggests that the costs or perceived risks of opening transaction accounts can be high (e.g. conducting in-person interviews, handling forms, and verifying documentation). We have explored the economics of transaction accounts to understand how these costs can compare to the financial incentives for an entity to open an account for some customers (e.g. charitable trusts).

## 2.2. The economics of transaction accounts

### Deposit takers incur costs and benefits in the provision of transaction accounts

Banks incur costs in both opening and maintaining transaction accounts. The process of opening an account includes verifying the consumer's identity to comply with anti-money laundering regulations, providing necessary disclosures and information, and recording customer details. While specific cost data for New Zealand banks is unavailable, a 2020 estimate in the US indicated that it costs banks an average US\$280 to onboard a new customer through conventional methods, and US\$120 through digital onboarding.<sup>37</sup>

<sup>35</sup> First steps to financial inclusion - Opportunities to promote inclusive customer onboarding - Reserve Bank of New Zealand - Te Pūtea Matua

<sup>36</sup> First steps to financial inclusion - Opportunities to promote inclusive customer onboarding - Reserve Bank of New Zealand - Te Pūtea Matua

<sup>37</sup> Bezemer, V., 2020. Digital Onboarding and Origination: The Cure for Banks' Customer Acquisition Pains. ABA Banking Journal, [online] 11 August. Available at: [bankingjournal.aba.com/2020/08/digital-onboarding-and-origination-the-cure-for-financial-institutions-customeracquisition-pains](https://bankingjournal.aba.com/2020/08/digital-onboarding-and-origination-the-cure-for-financial-institutions-customeracquisition-pains) [Accessed 27 November 2024]

Maintaining an account also has costs, such as monitoring payments, providing statements and maintaining the technology to enable fund transfers, statements, and customer support services. According to a 2010 estimate by the American Bankers Association, the annual cost for banks to maintain a transaction account ranged from US\$200 and US\$300.<sup>38</sup>

Deposit takers can earn money from transaction accounts through interest rate spreads (what the deposit taker earns from reinvesting the deposit and lending money to other customers) and fees. For transaction accounts with small deposits the interest rate spread, or investment earnings from deposits, may not cover the overhead costs of opening and maintaining the accounts.<sup>39</sup> Some customers, such as lower-income customers, can have low balances meaning that deposit takers cannot profitably offer them a transaction account at low or no cost.<sup>40</sup> As a result, based purely on the economic and commercial drivers, it may be perceived as being economically rational for the supply of transaction accounts to not match the demand for transaction accounts (where the costs associated with account provision outweigh the perceived economic benefits).

However, there are wider benefits associated with having widespread access to transaction accounts that are not captured in a short-term equation between the costs and benefits of providing transaction accounts. The externalities (indirect cost or benefit) that may not be factored into commercial decisions relating to the provision of transaction accounts can include:

- **Outcomes for consumers:** financial exclusion can have significant impacts for the financial health and wellbeing of customers, and their ability to make payments and manage their financial affairs.<sup>41</sup>
- **Outcomes for the economy:** access to transaction accounts supports people and businesses to participate in the economy. Widespread availability of transaction accounts can also support outcomes for financial stability<sup>42</sup>, monetary policy<sup>43</sup>, and the effective delivery of Government contracts and welfare support.
- **Outcomes for society:** access to transaction accounts can support volunteer and charitable organisations to undertake important activities and initiatives that support thriving communities in Aotearoa New Zealand.<sup>44</sup>

Improving access to transaction accounts can also help broaden the deposit takers base, support financial providers' social licence to operate, and help to establish long term banking relationships that lead to customers migrating to more complex products and services over time (such as mortgages). Limited recognition of the positive externalities or societal benefits of having widespread access to transaction accounts could result in an ongoing decrease in access to bank accounts over time, and a joint market failure<sup>45</sup> and regulatory failure<sup>46</sup> if current settings persist.

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<sup>38</sup> Levitin, A.J., 2024. The Financial Inclusion Trilemma. *Yale Journal on Regulation*, 41(1), pp.109-163.docx

<sup>39</sup> Ibid

<sup>40</sup> Ibid

<sup>41</sup> Ozili, P. (2019). *Financial inclusion research around the world: a Review*.

<sup>42</sup> Reserve Bank of New Zealand. (2023). *The relationship between financial inclusion and financial stability*.

<sup>43</sup> Greater access to transaction accounts can expand the reach of monetary policy tools and, by increasing interest-rate sensitivity in the economy, make monetary policy more effective. This can lead to better control of inflation, improved economic stability, and enhanced policy outcomes: [www.imf.org](http://www.imf.org)

<sup>44</sup> *Community Networks Aotearoa*. (2023). *Better Banking - Creating Ease of Banking for the Not-for-Profit Sector.pdf*

<sup>45</sup> Primarily associated with a mismatch between commercial incentives to open transaction accounts, and wider externalities or societal benefits of having widespread access to transaction accounts. See for example, *Mexico's Tiered KYC: An Update on Market Response | Blog | CGAP*

<sup>46</sup> Primarily associated with the unintended consequences of the international AML/CFT compliance regime on financial inclusion that impact customer onboarding. See for example, *Public Consultation on AML/CFT and Financial Inclusion – proposed changes to FATF Standards*

### 2.3. Industry perspectives

#### **Deposit takers have reported not being able to solve access to banking issues on their own**

Some deposit takers, particularly the largest banks in Aotearoa New Zealand, have outlined their position on the topic of access to banking issues as part of the consultation on the Market Study into Personal Banking Services. Among the submissions, there is broad agreement on the need to improve access to transaction accounts, however, banks have reported some constraints that appear to be preventing the deposit-taking sector from collaborating to find possible solutions to access to banking issues.<sup>47</sup> For example, competition rules were perceived by some banks as a barrier, as well as the regulatory requirements under the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act 2009.

Industry perspectives have been vital in contributing to an understanding of the barriers to transaction accounts and determining why a basic banking regime has not been taken up at scale by the banking industry to-date. As a result of our analysis and engagement with deposit takers in 2024 and early 2025, we find that it is unlikely that the banking sector will be able to fully address this issue without some level of regulatory involvement, guidance, or encouragement to enable basic transaction accounts to be made widely available to customers that need them. This paper provides further information on international approaches to make basic transaction accounts widely available and seeks input on opportunities for collective solutions to this issue.

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<sup>47</sup> Commerce Commission NZ. Final Report Personal Banking Services Market Study 2024.pdf\_Available at [www.comcom.govt.nz](http://www.comcom.govt.nz)

### 3. International experiences with basic transaction accounts

This section looks at the concept of basic transaction accounts in closer detail drawing on international evidence under two main topics:

- **Definitions and design features:** analysis of what a basic transaction account is, its features based on international best practice, and key design considerations.
- **Policies and initiatives that facilitate access to basic transaction accounts:** analysis of global efforts that have aimed to ensure that basic transaction accounts are provided widely to unbanked customer groups through collaboration and incentives, industry leadership or regulatory mandates.

Exploring international best practice in this field aims to provide a strong foundation for understanding opportunities in Aotearoa New Zealand.

#### Section summary

- Basic or simplified transaction accounts are a widely used policy tool for promoting financial inclusion. Basic transaction accounts aim to provide basic banking services to financially excluded customers.
- Basic transaction accounts are often designed to be accessible, affordable, simple to open and manage, but with reduced functionality to reduce risks associated with credit or the financing of criminal activities.
- We have analysed three different approaches that have been taken in other jurisdictions to promote the widespread availability of transaction accounts: regulatory approaches, industry-led approaches, and a hybrid model with collaboration between regulators and the banking sector to streamline customer onboarding for basic transaction accounts through AML/CFT tiering.
- International findings are relevant in the New Zealand context, noting that further engagement and consultation is required to consider an appropriate response that reflects New Zealand's features and characteristics.

### 3.1. Definitions and design features

#### Access to transaction accounts is a key focus area for financial regulators internationally

There has been significant progress in reducing the number of unbanked adults worldwide. From 2011 to 2021, the number of adults without access to a transaction account decreased from approximately 2.5 billion to 1.4 billion, resulting in 76.0% of the world's adult population now having access to formal financial services.<sup>48</sup> This improvement can be attributed to a multifaceted approach that leverages digital financial services, national financial inclusion strategies, promotion of financial literacy, and creating enabling policy and regulatory environments to support financial inclusion such as the establishment of basic transaction accounts.<sup>49</sup> While financial regulators have various tools at their disposal to enhance access to transaction accounts, this Issues Paper focuses specifically on the concept and potential benefits and limitations of basic or simplified transaction accounts as a policy instrument for advancing financial inclusion.

#### Basic transaction accounts play a role in meeting the needs of unbanked communities

There are a range of terms used to describe basic transaction accounts. Common terminologies can include basic bank accounts, simplified bank accounts,<sup>50</sup> basic payment accounts, basic transaction accounts, no-frill accounts and universal bank accounts.<sup>51</sup> While the language can vary between countries, there are common features in the role such accounts can play in promoting financial inclusion.

Basic transaction accounts are designed to provide basic banking services to individuals who may have difficulty accessing traditional banking services.<sup>52</sup> This includes individuals such as those who have a low income or a poor credit history, are new to a country, or who live in rural or remote areas. Basic transaction accounts are generally designed for customers who are financially excluded or do not already have a transaction account, rather than people who already have one or more transaction accounts.<sup>53</sup> The high-level principles that can underpin basic transaction accounts generally are *accessibility, affordability, provision of basic services, simple to open and manage, reduced functionality*. **Figure 2** below visualises how a basic transaction account can offer an alternative pathway for customers to open transaction accounts who are not able to open standard transaction accounts.

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<sup>48</sup> World Bank, 2022. Financial Inclusion Overview. [online] Available at: [worldbank.org/en/topic/financialinclusion/overview](https://worldbank.org/en/topic/financialinclusion/overview)

<sup>49</sup> Ibid

<sup>50</sup> Simplified Account ([www.bfa.ao](http://www.bfa.ao))

<sup>51</sup> World Bank, 2023. Payment Systems Worldwide: A Snapshot.

<sup>52</sup> Ibid

<sup>53</sup> See for example: Banque de France. (2024). French Financial Inclusion Framework.

Figure 2: Basic transaction accounts as a simplified pathway to access basic banking services



Source: authors' own, adapted from the World Bank Gateway to Financial Inclusion Infographic.<sup>54</sup>

<sup>54</sup> World Bank. (2016). Gateway to Financial Inclusion: <https://www.worldbank.org/en/news/infographic/2016/10/04/gateway-to-financial-inclusion>

## Features of basic transaction accounts in other jurisdictions

Drawing from international approaches and the World Bank's Global Payment Systems Survey, basic transaction accounts are widely used to promote financial inclusion. Out of 95 countries that responded to the survey, 79 countries (83%) reported the existence of basic transaction accounts as a means of supporting financial inclusion and providing payment services to financially excluded communities with some common features such as those outlined in **Table 1**.<sup>55</sup>

*Table 1: International commonalities in the features of basic transaction accounts*

Principles	Design Features
Meet daily banking needs	Provide basic services such as depositing and withdrawing money, making payments, and receiving government benefits
Accessibility	Basic accounts may or may not be accessed via mobile phones or internet banking
Affordable	Basic account can be opened free of charge, at least for a basic package of services
	A zero balance in the account is allowed without the customer being charged for this
Simple to open	AML/CFT requirements such as know your customer and customer due diligence processes are tailored to facilitate the easy opening of accounts
Reduced functionality and risk mitigation	There is a cap on the account balance that a customer can maintain
	There are daily limits on the volume and value of transactions
	There may be restrictions on the types of payment transactions that can be performed. For example, restriction on international payments
	There are restrictions preventing overdraft or credit facilities
Other	Basic accounts can be provided by non-bank payment service providers in the form of electronic money
	Basic accounts are protected by deposit insurance

Note: this is not an exhaustive list.

Source: World Bank Global Payments Survey 2021

Other key design settings that are often considered in the development of basic transaction accounts are the scope and coverage of basic transaction accounts (for example, can be opened by non-residents or all unbanked individuals<sup>56</sup>) and eligibility criteria for opening transaction accounts (such as a requirement that people do not already have a transaction account<sup>57</sup>).

<sup>55</sup> Ibid

<sup>56</sup> European Commission, 2011. [Commission Staff Working Paper: Impact Assessment on access to a basic payment account.pdf](#)

<sup>57</sup> Banque de France (2024). The French Financial Inclusion Framework.

### 3.2. International policies and initiatives

Our analysis of international practices has found that the implementation of basic transaction accounts varies considerably across different jurisdictions. Generally, these approaches fall into three categories as seen below in **Table 2: regulatory requirements, industry-led approaches, and hybrid** approaches that involve collaboration between regulators and financial institutions. This section also discusses how ongoing monitoring has been an important tool to understand the effectiveness of efforts to improve financial inclusion through basic transaction accounts.

*Table 2: The three main approaches identified to make basic transaction accounts widely available in other jurisdictions.*

Regulatory requirements	Industry led approach	Hybrid approach
Financial regulators set the requirements for financial institutions to offer basic transaction accounts. A regulatory approach relies on legislative change to set the parameters of basic transaction accounts and introduce associated enforcement measures to uphold rules and requirements.	Financial institutions take a leading role in designing and implementing basic transaction accounts, using an industry code or shared commitment to standardise how such accounts are offered, to whom, and in what circumstances. Industry led approaches are voluntary and rely on buy in from deposit takers to achieve outcomes related to financial inclusion.	Financial regulators provide flexibility and remove regulatory barriers for financial institutions to design and implement a basic transaction account in line with a set of agreed principles and parameters. Under this model, basic transaction accounts receive a regulatory carve out/exemption that entities can utilise if they want to offer a basic transaction account.

### 3.3. Regulatory requirements

#### Regulatory requirements have been a common tool for improving access to transaction accounts

Requirements for the provision of basic transaction accounts have been legislated in 78% (72/92) of countries surveyed by the World Bank, demonstrating how regulatory approaches are a common tool employed by financial regulators to improve access to transaction accounts.<sup>58</sup> **Table 3** below provides a summary of the regulatory approaches that have been taken in Sweden, Denmark, France, Ireland, Canada, and the UK, where legal requirements have been put in place for financial institutions to offer basic transactions accounts and set requirements.

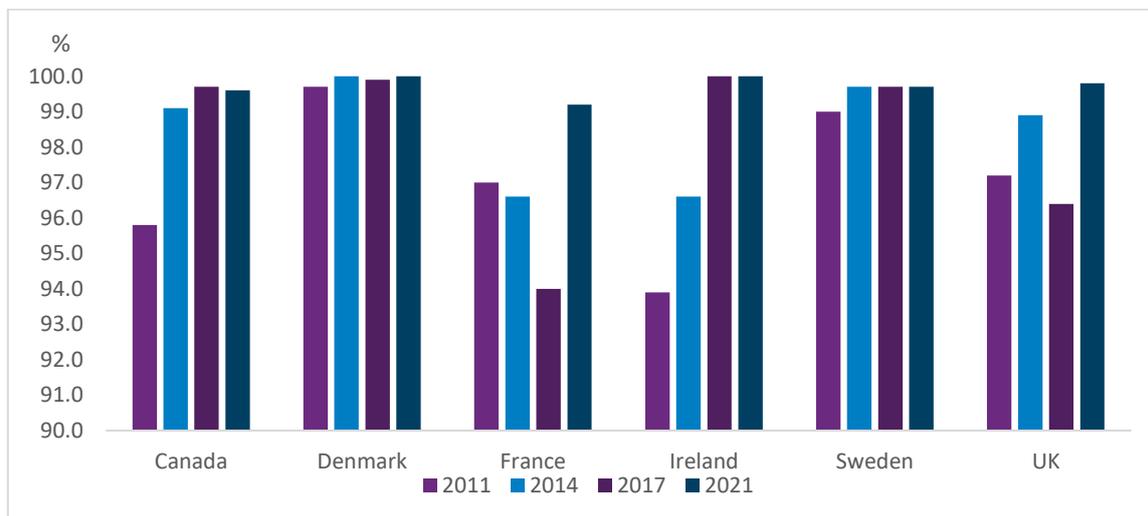
<sup>58</sup> World Bank, 2023. *Payment Systems Worldwide: A Snapshot*.

**Table 3: Case studies of regulatory approaches to basic transaction accounts**

	Responsible authority	Unbanked population <sup>59</sup>	Year introduced
Canada	Conduct Authority	0.4%	2003 <sup>60</sup>
Denmark	Supervisory Authority	0%	1987
France	Supervisory Authority	0.8%	1984 <sup>61</sup>
Ireland	Central Bank	0.3%	2016
Sweden	Central Bank	0.3%	2016
UK	Conduct Authority	0.2%	2015 <sup>62</sup>

Basic banking approaches are generally considered effective for improving financial inclusion and access to basic transaction accounts, but their success rate can vary.<sup>63</sup> Figure three below shows that the countries studied in this report have generally improved their level of access to bank accounts over time. The case studies presented in Figure Three generally show a correlation between the implementation of regulatory requirements for basic transaction accounts and a decrease in the unbanked population between 2011 and 2021. **Appendix One** provides further information on the approaches taken to implement basic transaction accounts in these case studies.

**Figure 3: Access to bank accounts (%) 2011-2021**



Source: World Bank Global Findex Database.

<sup>59</sup> World Bank Group. [The Global Findex Database 2021](#).

<sup>60</sup> Financial Consumer Agency of Canada (FCAC), 2024. Access to basic banking services: refusal to open a retail deposit account on the basis that it will be used for illegal or fraudulent purposes. [online] Available at: [canada.ca](https://canada.ca)

<sup>61</sup> France Government. (2024). Refusal to open a bank account: right to an account

<sup>62</sup> HM Treasury. (2021). [Basic Bank Account Report.pdf](#)

<sup>63</sup> Study on EU Payment Accounts Market 2021



The effectiveness of basic banking regimes can be constrained by factors such as limited consumer awareness, banks' reluctance to proactively offer basic accounts, and prohibitive costs.<sup>64</sup> Inconsistent measurement efforts between jurisdictions can complicate comparisons, however, several best practices have emerged. These include regulatory measures such as assigning people transaction accounts at a financial institution for rejected applicants (see Banque de France case study below), clarifying AML/CFT requirements, ensuring affordability through cost-free or low-fee accounts, increasing consumer awareness, and supporting financial literacy programmes related to basic bank account ownership.<sup>65</sup> Regulatory approaches have been a common tool for financial regulators to set standards and requirements for a minimum level of access to a basic transaction account.

### Case Study: Banque de France – Right to a Basic Bank Account

The Banque de France has introduced a right to a basic bank account as part of its financial inclusion framework. This right, enshrined in French law under the Monetary and Financial Code, applies to any French resident or French citizen living abroad who lacks a deposit account.<sup>66</sup> The process relies on a 'match-making model' where the Banque de France designates a financial institution to provide a basic transaction account if someone cannot open one by themselves. The basic transaction account offers essential features including a payment card for online transactions and internet banking, cash deposit and withdrawal capabilities, and direct debit functionality. Between 2007 and 2023, the Banque de France designated between 30,000 and 70,000 basic accounts annually, serving as a regulatory backstop to ensure people have access to basic transaction accounts.<sup>67</sup> There are ongoing efforts to facilitate an equal distribution of assigned customers based on the market share of the banks.

### 3.4. Industry-led Voluntary Codes

In some jurisdictions, voluntary codes have been developed by financial institutions to improve access to basic transaction accounts. Under an industry-led approach, the banking sector sets out shared commitments regarding the provision of basic transaction accounts, often facilitated by industry bodies. We have analysed three examples where industry led approaches have been taken to improve access to basic transaction accounts as outlined below in **Table 4**.

**Table 4: Case studies of industry-led approaches to basic transaction accounts**

	Voluntary code	Unbanked population <sup>68</sup>	Year introduced
Australia	Banking Code of Practice	0.7%	1993

<sup>64</sup> EU Payment Accounts Directive: Commission review mainly positive but improved data collection needed - Hogan Lovells Engage

<sup>65</sup> Study on EU Payment Accounts Market 2021

<sup>66</sup> Banque de France. (2024). French Financial Inclusion Framework.

<sup>67</sup> Ibid

<sup>68</sup> World Bank Group. [The Global Findex Database 2021](#).

	Voluntary code	Unbanked population <sup>68</sup>	Year introduced
UK (pre-2015)	Revised Basic Bank Account Agreement	0.2%	2014 <sup>69</sup>
South Africa	Financial Sector Charter	14.6%	2004 <sup>70</sup>

In Australia, industry collaboration on basic transaction accounts required the Australian Competition and Consumer Commission (ACCC) authorisation for the 2019 Banking Code to set minimum requirements for low-income customers.<sup>71</sup> The UK initially used a voluntary agreement before formalising it under the 2015 Payment Accounts Regulations.<sup>72</sup> In South Africa, major banks launched the Mzansi accounts in 2004 under the Financial Sector Charter to provide basic, low-cost banking services to previously unbanked populations.<sup>73</sup> **Appendix One** provides descriptive information on the approaches taken to implement basic transaction accounts in these case studies.

A key challenge in industry-led approaches to basic transaction accounts are inconsistencies in how providers in offering basic bank accounts to eligible customers and the extent to which they raise awareness about their availability.<sup>74</sup> Under an industry-led approach, some financial providers put in place eligibility requirements for basic transaction accounts, with varying controls and features.<sup>75</sup> Our analysis suggests that industry-led approaches can rely on the goodwill, reputational benefits and self-discipline (for example, being made more accountable for outcomes through public disclosures) rather than having formal requirements or enforcement measures.

Despite these limitations, an industry-led approach can enhance financial inclusion. For example, South Africa's Mzansi accounts helped increase banked adults from 46% in 2004 to 63% by 2008 and 85.4% by 2021. However, Australia's Royal Commission found that industry efforts fell short of community standards and intended outcomes. Overall, our results suggest that the effectiveness of industry-led approaches to implement basic transaction accounts can vary depending on institutional commitment and co-ordination, efforts to raise awareness among consumers, and staff training.

<sup>69</sup> HM Treasury. 2014. [Agreement on basic bank accounts.pdf](#)

<sup>70</sup> Alliance for Financial Inclusion (AFI). 2013. [The Use of Financial Inclusion Data: Country Case Study of South Africa.pdf](#)

<sup>71</sup> [The Banking Code - Australian Banking Association](#)

<sup>73</sup> Alliance for Financial Inclusion (AFI). 2013. [The Use of Financial Inclusion Data: Country Case Study of South Africa.pdf](#)

<sup>74</sup> See for example, HM Treasury. (2016). [Basic bank accounts: January to June 2016](#) and Australian Securities and Investments Commission (ASIC), 2024. [Better banking for Indigenous consumers.](#)

<sup>75</sup> Ibid



## Case Study: Australia's Banking Code of Practice

The Banking Code of Practice (The Banking Code) is a voluntary code of conduct that sets standards for good banking practice in Australia. The Banking Code was first introduced in 1993 and has undergone several revisions to keep pace with changes in the banking industry and consumer expectations. The Banking Code sets out the standards of good banking practice that member banks of the Australian Banking Association commit to uphold in their dealings with customers.

One of the key provisions of the Banking Code of Practice relates to basic bank accounts. Recognising the essential nature of banking services in modern society, the Code requires member banks to offer low or no-fee basic bank accounts to eligible customers. These accounts are typically designed for low-income individuals, such as those receiving government benefits or holding concession cards.

Several limitations were identified to implementing basic bank accounts effectively under the Banking Code. These included<sup>76</sup>:

- **Awareness and migrations:** Banks have not been consistent in proactively identifying customers who might be eligible for basic, low or no-fee accounts. This has resulted in over 150,000 low-income customers remaining in high-fee accounts despite being eligible for low-fee accounts. Some participating banks have low success rates in migrating eligible customers to low-fee accounts. Successful migration rates were as low as 0.5%.
- **Eligibility:** Most participating banks have required customers to provide proof of a concession card<sup>77</sup> to access low-fee accounts. This can create an additional barrier for customers to prove their eligibility and access a basic bank account.
- **Features:** There has been variation in the ability of participating banks to implement the minimum features for basic transaction accounts. For example, some low-income customers have been charged fees for overdrafts and dishonoured payments (in conflict with the definition of a basic transaction account under the Banking Code).

These limitations were part of the review of the Banking Code in 2024, and efforts were made to make improvements to support access to basic bank accounts in the revised Banking Code of Practice which came into effect in February 2025.<sup>78</sup> The new Code includes expanded protections, clearer definitions, and enhanced provisions for vulnerable customers.<sup>79</sup>

<sup>76</sup> Ibid

<sup>77</sup> To demonstrate that customers are receiving government concession payments.

<sup>78</sup> ASIC approves enhanced Banking Code of Practice. Available at [www.asic.gov.au](http://www.asic.gov.au)

<sup>79</sup> ASIC approves ABA's revised Banking Code: What you need to know | Global law firm | Norton Rose Fulbright

### 3.5. Hybrid approach – Collaboration to simplify account opening for basic accounts

Hybrid approaches to basic transaction accounts involve regulators and financial institutions collaborating to enhance financial inclusion. Regulators set criteria and design principles while allowing flexibility based on assessed AML/CFT risks. Simplified Know Your Customer (KYC) requirements, known as AML/CFT tiering, can help to lower transaction costs for both customers and providers, making basic accounts more accessible.

#### Tiered KYC rules are part of global efforts to reduce the unintended consequences of AML/CFT rules for financial inclusion

Global standard setters are advancing a risk-based approach to AML/CFT rules. Organisations like the Alliance for Financial Inclusion (AFI), the World Bank, and Consultative Group to Assist the Poor promote proportionate, tiered frameworks for flexible account opening in low-risk, low-value accounts.<sup>80</sup> The 2022 AFI Digital Financial Services State of Practice Report found that 75% of AFI member countries (61/81) allow simplified/tiered KYC.<sup>81</sup> These approaches are endorsed by the Financial Action Task Force (FATF), the global AML/CFT watchdog.<sup>82</sup>

The FATF has been working to address the unintended consequences of its standards while maintaining the effectiveness of global AML/CFT efforts.<sup>83</sup> Most recently, it has initiated consultations to revise the FATF Recommendations to better align with measures to promote financial inclusion.<sup>84</sup> FATF guidelines on tiered KYC are intended to minimise barriers to the use of financial services by underserved communities, allowing for simplified customer due diligence to be used in lower-risk scenarios.<sup>85</sup> The World Bank has also provided guidance on three possible categories for AML/CFT tiering, the associated AML/CFT restrictions, and the associated product features or controls. Table 5 below provides an overview of a subset of countries that have adopted a hybrid approach to implement AML/CFT tiering to enable entities to implement basic transaction accounts with simplified or tailored customer due diligence processes.

**Table 5: Case studies of hybrid approach to basic transaction accounts**

	Implementing agency for AML/CFT tiering	Unbanked population <sup>86</sup>	Year introduced
Nigeria	Central Bank	32.0% <sup>87</sup>	2012
Mexico	CNBV, SHCP and Banxico	51.0%	2011
Peru	Prudential Regulator (SBS)	42.5%	2015

<sup>80</sup> Alliance for Financial Inclusion (AFI), 2019. KYC Innovations, Financial Inclusion and Integrity in Selected AFI Member Countries. Available at: [afi-global.org/sites/default/files/publications/2019-03/KYC-Innovations-Financial-Inclusion-Integrity-Selected-AFI-Member-Countries.pdf](https://afi-global.org/sites/default/files/publications/2019-03/KYC-Innovations-Financial-Inclusion-Integrity-Selected-AFI-Member-Countries.pdf)

<sup>81</sup> [Digital Financial Services Regulation: Current State of Practice Report 2022](#)

<sup>82</sup> Analysis of publicly available mutual evaluation reports (MERS) and follow-up reports of the relevant regulatory frameworks in Mexico, India and Peru, three countries with long-standing tiered KYC practices, found no remedial actions were required by the jurisdiction regarding compliance of the lower KYC tier for accounts with FATF recommendations 5 and 10. For more information, see: [Emergency Disbursements during COVID-19\\_20200718.pdf](#) ([findevgateway.org](https://findevgateway.org))

<sup>83</sup> [Research Note international perspectives on de-risking](#) ([fca.org.uk](https://fca.org.uk))

<sup>84</sup> [Public Consultation on AML/CFT and Financial Inclusion - Updated FATF Guidance on AML/CFT Measures and Financial Inclusion](#)

<sup>85</sup> [Action 1 | Digital Finance Inclusion](#) ([worldbank.org](https://worldbank.org))

<sup>86</sup> World Bank Group. [The Global Findex Database 2021](#).

<sup>87</sup> [Access to Financial Services in Nigeria 2023 Survey Report](#)



	Implementing agency for AML/CFT tiering	Unbanked population <sup>86</sup>	Year introduced
Brazil	Central Bank	16.0%	2004
Egypt	Central Bank of Egypt and Financial Regulatory Authority	29.3% <sup>88</sup>	2013

Tiered KYC applies varying requirements based on controls that reduce AML/CFT risk. Basic bank accounts with restrictions on volume or value can be exempt from AML/CFT requirements, as they pose lower risks for money laundering and terrorism financing.

**Appendix One** provides further information on the case studies included in Table 4.

Hybrid KYC approaches involve shared responsibility, with regulators providing clear guidelines for onboarding basic transaction accounts. This allows financial institutions to tailor their customer due diligence to the specific risks of these accounts. This approach can enable a more nuanced, risk-sensitive approach to onboarding underserved customers. By allowing institutions to customise their compliance efforts, the hybrid approach supports innovation while ensuring regulatory compliance. For *customers*, tiered KYC enables a faster and simplified onboarding process. However, for *financial entities*, introducing the controls can incur cost for entities (for example, putting in place balance caps), but can help to streamline onboarding and reduce the time taken to onboarding customers if implemented successfully.<sup>89</sup> Hybrid AML/CFT tiering can be effective in fostering product innovation for transaction accounts that cater to underserved or excluded customers, as seen in Mexico.

### Case study: Mexico's AML/CFT Tiering

Mexico implemented a tiered approach to AML/CFT regulations, allowing for easier access to bank accounts while maintaining necessary controls. This system, introduced in 2011, was the result of a collaborative effort between financial regulators like the National Banking and Securities Commission and industry stakeholders.<sup>90</sup> The regulators worked closely with the Financial Action Task Force in implementing a tiered approach to AML/CFT regulations, balancing financial inclusion with regulatory compliance. Mexico's approach included five types of deposit accounts with varying KYC requirements, allowed for anonymous accounts at the lowest tier and enabled non-face-to-face account opening and paperless record keeping for lower-level accounts which were most basic.<sup>91</sup> As account levels increase, restrictions on transactions are eased, but KYC requirements become progressively more stringent. As a result of this initiative, 9.1 million accounts were opened in the two years since launch, of which 50% were very basic (level 1) accounts.

<sup>88</sup> [Financial Inclusion Rates Rose to 70.7% by the End of 2023](#)

<sup>89</sup> [Tiered KYC for Customer Onboarding | AiPrise](#)

<sup>90</sup> [A Bold Move Toward Simplifying AML/CFT: Lessons from Mexico | Blog | CGAP](#)

<sup>91</sup> [Mexico's Tiered KYC: An Update on Market Response | Blog | CGAP](#)



### 3.6. Monitoring and ongoing reporting

Measuring access to basic transaction accounts is important to evaluate the effectiveness of initiatives (irrespective of whether they are industry-led, regulatory led, or a hybrid model). The World Bank Payments System Snapshot found that 69% of regulators with payment system oversight have specific oversight objectives relating to financial inclusion.<sup>92</sup>

In the United Kingdom, the 2014 Basic Banking Agreement between banks and regulators included a commitment by participating institutions to provide data to the Treasury on basic transaction accounts. Measurement and reporting on basic transaction accounts in the UK included:<sup>93</sup>

- the number of basic transaction accounts opened among participating institutions (by institution).
- the number of basic transaction accounts applications that were refused (by institution).
- the number of basic transaction accounts that were closed or upgraded to alternative banking products (by institution).

Since the initial agreement, there has also been reporting in the United Kingdom on the reasons behind refusals and closures, and the impacted groups.<sup>94</sup> Ongoing monitoring of access to basic transaction accounts can help to provide transparency around uptake, the types of customers who benefit from basic transaction accounts, and the effectiveness of participating entities in providing them.

### 3.7. Tailoring responses to domestic contexts and characteristics

The effectiveness of basic transaction accounts in supporting financial inclusion are highly dependent on the national context.<sup>95</sup> There are unique challenges that can impact approaches to improve access to transaction accounts, such as the profile of financial excluded groups, their financial needs, the AML/CFT risks and measures in place, and the technology available to monitor transactions.<sup>96</sup> The most effective features of a basic transaction accounts can also depend on the characteristics of the financial products and the needs of the low income, unserved or underserved group, requiring international approaches to be weighed against the unique needs of domestic populations. As a result, we note that our findings on international approaches to improve access to transaction accounts are relevant, but further engagement and consultation is required to consider an appropriate response that reflects Aotearoa New Zealand's features and characteristics.

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<sup>92</sup> World Bank. (2021). *A Snapshot Payment Systems Worldwide - Summary Outcomes of the Sixth Global Payment Systems Survey*

<sup>93</sup> *Basic bank accounts: January to June 2016* ([publishing.service.gov.uk](http://publishing.service.gov.uk))

<sup>94</sup> *UK Payment Accounts: access and closures* ([fca.org.uk](http://fca.org.uk))

<sup>95</sup> *Anti-money laundering and terrorist financing measures and financial inclusion* ([fatf-gafi.org](http://fatf-gafi.org))

<sup>96</sup> *Ibid*

## 4. Pathways for action

This section looks at opportunities to promote the widespread availability of basic transaction accounts, building on the lessons from the current state of access to transaction accounts in Aotearoa New Zealand and international approaches. This section considers the key areas where we are looking for industry and public input.

We note that CoFR cannot form a view on the appropriate response to improve access to transaction accounts independently, and we do not hold all the answers. It should be noted that the CoFR Regulatory Charter does not accord goal independence (the ability to set policy direction independently), and further engagement with Ministers and decision makers would be required following consultation, in order to seek policy decisions on this topic.<sup>97</sup> As a result, we are holding a period of engagement to help inform our problem definition, objective, and opportunities for designing and implementing basic transaction accounts. This paper aims to start a conversation with financial providers and community organisations on the issue of access to basic transaction accounts and supports greater collaboration on the detailed aspects of the design and delivery of possible solutions.

### Section Summary

- There are roles that can be played by both regulators and financial entities to improve access to basic transactional accounts.
- We have identified key areas where input from stakeholders and the public would help inform the discussions. We are seeking input on three areas:
  1. **The problem definition and policy objective**
  2. **The definition and features of a basic transaction account**
  3. **The approach to design and implement basic transaction accounts**
- We are seeking feedback on these actions from a broad range of stakeholders to consider practical solutions.

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<sup>97</sup> [Regulatory Charter: Financial markets regulatory system](#)

## 4.1. Problem definition and policy objective

We are seeking feedback from stakeholders on whether CoFR has appropriately defined the key issues associated with access to transaction accounts as outlined below.

Based on the information we have gathered, we interpret that the barriers to opening transaction accounts are widespread, both in preventing efficient access to some customers and contributing to financial exclusion for some consumers (such as recent migrants, older people, those living in remote areas, young people, people living with disabilities and people facing insolvency or bankruptcy).

As a result, access to transaction accounts appears to be a serious issue in Aotearoa New Zealand, hindering the ability of some New Zealanders to participate fully in the economy and society. It appears that issues with access to transaction accounts are seen by frontline bank staff on a relatively frequent basis.<sup>98</sup> The First Steps to Financial Inclusion Report suggests that the problems associated with access to transaction accounts are primarily related to the way CDD checks are being implemented, such as ID and proof of address verification, which can have unintended consequences for New Zealanders. The problem definition for this work is that some people are not able to open transaction accounts in an efficient and inclusive manner, resulting in financial exclusion.

CoFR's policy objective in undertaking this work is to highlight opportunities to enhance financial inclusion by reducing unnecessary barriers and improving incentives for the provision of basic transaction accounts. The outcome that we would like to see from this work is that transaction accounts are provided to all segments of the population, irrespective of their economic, physical, or social circumstances, or their technological and financial capabilities. This intended outcome aligns with CoFR's vision of improving access to financial products and services that meet the needs of both consumers and firms.

We are seeking feedback on whether we have appropriately defined the key issues associated with access to transaction accounts, and whether there is broad support for our objective to improve access to basic transaction accounts.

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<sup>98</sup> [First steps to financial inclusion - Opportunities to promote inclusive customer onboarding - Reserve Bank of New Zealand - Te Pūtea Matua](#)

### Questions for engagement:

1. Do you agree this Issues Paper identifies the key problems associated with access to transaction accounts in Aotearoa New Zealand?
2. Do you agree that efforts should be taken by banks and regulators to improve access to transaction accounts in Aotearoa New Zealand?
3. Do you agree with our objective to improve access to transaction accounts through promoting the widespread availability of *basic transaction accounts*?
4. Do you agree that all New Zealanders should have the right to access a basic transaction account?

## 4.2. Definition and features of a basic transaction account

In order for progress to be made on improving access to basic transaction accounts at an industry wide level, further work is required to define and agree on the features of basic transaction accounts that are both relevant in the New Zealand context and enable them to meet the needs of customers. The World Bank definition provides a useful starting point for understanding the definition and role of basic transaction accounts that could be applied in Aotearoa New Zealand:

A basic or simplified transaction account provides basic banking services to individuals who may have difficulty accessing traditional banking services. Basic transaction accounts are designed to meet daily banking needs of underserved customers, be affordable for people to open and use, and have reduced functionality to enable streamlined and simplified on-boarding.<sup>99</sup>

Based on our analysis of common practices internationally, we have provided a 'starter for ten' in Table 6 below, which outlines possible core features of a basic transaction account and possible design features that could vary depending on decisions by entities.

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<sup>99</sup> World Bank. (2021). A Snapshot Payment Systems Worldwide - Summary Outcomes of the Sixth Global Payment Systems Survey

**Table 6: Possible high-level design features of a basic transaction account based on international practices**

Product Features		Description
Core Features	Simplified onboarding and documentation	This refers to different levels of documentation and verification based on the assessed risk of the account or transaction. For example, accepting fewer or alternative forms of identification for low-risk accounts, especially for underserved populations.
	No verification or digital verification and paperless record-keeping	This may also include non-face-to-face account opening allowing accounts to be opened remotely, often through digital channels. Paperless record-keeping can also be adopted permitting electronic storage of customer information for certain account types.
	Transaction limits and/or balance caps	This refers to transaction limits capping daily value and volume of transactions, and maximum account balances that can mitigate potential AML/CFT risks.
	No cost / removal of fees / low cost	Basic transaction accounts are generally offered at no or low fees compared to standard accounts, making it affordable for low income or underserved populations.
	No debt / overdraft	This avoids an overdraft feature, which prevents customers from spending more money than they have in their account. As a result, customers are not able to incur debt from overspending, mitigating credit risks for these accounts.
	No time limit or forced migrations to standard accounts	Basic transaction account is offered to the eligible customer for an indefinite period, unless requested by the customer to close the account or move to the standard account due to change in need.
	Refusal process	Entities are able to decline a customers' application for a basic transaction account, but with formal reporting on the reason for the refusal to a financial regulator (for example, violent or aggressive customer behaviour).
Optional features (business decision)	Payment of interest	Option to permit or restrict interest earnings on the balances (tag as interest bearing account)
	Access point (e.g. online banking access vs in person)	Option to permit or restrict access to the basic transaction account through various channels – internet banking, mobile banking, cards, in-person, etc.
	Gambling restrictions	Option to restrict transactions on basic transaction accounts such as gambling.
	Online payments	Option to permit or restrict account linked to online payment services via a debit card.
	Paper/physical statements	Option to restrict statement printouts on periodic basis (annually only) or otherwise.
	Direct debit and automatic payment functionality	Option to permit or restrict direct debit features on basic transaction account to manage regular payments.

We are seeking feedback and input from the industry and the public on a possible definition and design features for a basic transaction account as outlined above.

#### Questions for engagement:

5. Do you agree with the definition of a *basic transaction account* used in this Issues Paper?
6. What features do you think a basic transaction account should have?

#### Questions for deposit takers:

7. Could your entity deploy the controls and design features to have a 'ring fenced' basic transaction account, for example, un-bundling transaction services from overdraft products, and limits on the amount of money coming in and out of accounts?
8. Could your entity measure and report on access to transaction accounts, including the number of applications for a transaction account that are declined and the reason(s) for the decline on an annual basis?
9. What are the most significant costs that your entity could expect in order to provide customers with basic transaction accounts?
10. That are the most significant benefits that your entity could expect in providing customers with basic transaction accounts?
11. Does your entity intend to pilot and/or implement a basic transaction account?

### 4.3. Approach to design and implement basic transaction accounts

Our international analysis has highlighted three options for making basic transaction accounts widely available: regulatory requirements, an industry-led approach, or a hybrid model involving a collaborative approach to simplify account opening for basic transaction accounts (AML/CFT tiering). We have undertaken initial analysis of how these options could be progressed in Aotearoa New Zealand with respect to competition rules and the existing regulatory environment.

#### **A regulatory approach could be considered as part of the rules and requirement for deposit takers**

CoFR agencies may look at whether setting regulatory requirements for the provision of basic transaction accounts could align with existing legislation. We have analysed the alignment and fit of setting minimum standards for the provision of basic transaction accounts for:

- *The Financial Markets Authority*, as part of the conduct regime.
- *RBNZ*, as part of the statutory currency function and our prudential supervision regime.

Significant work to analyse the costs and benefits of regulation would be required if there was appetite to consider this option, if a formal regulatory approach is warranted or appropriate in the future.

### **An industry led approach and hybrid model may align with competition rules**

The Commerce Commission has developed Competitor Collaboration Guidelines, which includes guidance on the exemption for collaborative activities from the cartel prohibition, that may be relevant in the context of providing basic bank accounts.<sup>100</sup> There are circumstances where industry agreements or collaborative behaviour can result in public benefits that may outweigh the competitive harm arising from the agreements or behaviour. In such cases, firms can apply to the Commerce Commission for authorisation, which allows firms to undertake anti-competitive conduct that would otherwise breach the Commerce Act. The Commerce Commission has developed Authorisation Guidelines on this matter.<sup>101</sup> The Commerce Commission's Collaboration and Sustainability Guidelines outlines factors that should be considered when assessing collaboration between competing businesses for common objectives, including when collaboration is more or less likely to harm competition. Despite being focused on sustainability objectives, the principles are applicable to competitor collaboration for any objective including providing basic transaction accounts.<sup>102</sup>

We have considered the extent to which competition laws could be a barrier to industry collaboration in piloting a basic transaction account. In line with the Australian Banking Code, our initial position is that the public benefits of improving access to basic bank accounts could outweigh the potential impacts on competition. Collaboration (between deposit takers or with financial regulators) to pilot or implement basic transaction accounts could improve competition for under-served customer groups, as well as have the potential to provide significant public benefit if implemented successfully.

### **More information and greater engagement would be required before any decisions can be made**

CoFR is keeping an open mind at this stage as to whether the industry would be well positioned to improve access to transaction accounts (with the appropriate regulatory support), whether collaboration between regulators and financial institutions could lead to desirable outcomes, or whether a regulatory approach may be required to set minimum standards for the provision of basic transaction accounts. We are therefore seeking feedback on these options as part of public engagement.

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<sup>100</sup> Commerce Commission New Zealand, 2018. *Competitor Collaboration Guidelines*. Available at: [comcom.govt.nz/\\_data/assets/pdf\\_file/0036/89856/Competitor-Collaboration-guidelines.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0036/89856/Competitor-Collaboration-guidelines.pdf)

<sup>101</sup> *Ibid*

<sup>102</sup> Commerce Commission New Zealand, 2023. *Collaboration and Sustainability Guidelines*. Available at: [comcom.govt.nz/business/avoiding-anti-competitive-behaviour/collaboration-and-sustainability-guidelines](https://comcom.govt.nz/business/avoiding-anti-competitive-behaviour/collaboration-and-sustainability-guidelines)



### Questions for engagement:

12. Which of the following approaches do you think would be most effective in Aotearoa New Zealand to make basic transaction accounts widely available? Please select one.

- Regulatory requirements
- Industry-led
- Hybrid approach

13. Do you have any suggestions on how to improve access to *basic transaction accounts* that are not outlined in the Issues Paper?

### Questions for deposit takers:

14. Do you think that the deposit-taking sector is well positioned to design and implement basic transaction accounts through an industry-led approach?

15. Do you foresee any regulatory support that may be required for you to design and implement a basic transaction account?

## 5. Conclusions and next steps

This Issues Paper supports discussion on the topic of access to basic transaction accounts. It brings together our analysis of the issue and international approaches to highlight opportunities in Aotearoa New Zealand. Further engagement with a variety of stakeholders is now required to inform the forward trajectory in this area. There are two next steps that would help to inform pathways for making basic transaction accounts widely available; ongoing monitoring of access to transaction accounts and receiving public submissions on the questions outlined in this Issues Paper.

### 5.1. Monitoring access to transaction accounts

RBNZ is developing indicators of financial inclusion, including access to transaction accounts, to help monitor financial inclusion. RBNZ expect to release their first snapshot into financial inclusion indicators in 2025, to provide a baseline of access to transaction accounts. This snapshot will also summarise information that is already available through existing data collections, and remaining gaps where further information may be required to assess financial inclusion in the deposit-taking sector.

### 5.2. Receiving public submissions

CoFR invites submissions on this Issues Paper by **5pm on 18 June 2025**. We will continue to engage with stakeholders during this time, and any feedback received will support the refinement of our analysis and pathways towards action. The feedback template can be accessed through Citizen Space <https://consultations.rbnz.govt.nz> Please note the disclosure on the publications of submissions below. We will publish your submission on the RBNZ website as the chair for CoFR FI, and a summary of the consultation will be developed and shared publicly following the end of the consultation period. We will make all information in submissions public unless you indicate you would like all or part of your submission to remain confidential.

Please refer to RBNZ's policies on how we store and may share your information.<sup>103</sup> If you would like part of your submission to remain confidential you should provide both a confidential and a public version of your submission. Apart from redactions of the information to be withheld (i.e., blacking out of text) the two versions should be identical. You should ensure that redacted information is not able to be recovered electronically from the document; the redacted version will be published as received.

If you want all or part of your submission to be treated as confidential, you should provide reasons why this information should be withheld if a request is made for it under the Official Information Act 1982 (OIA). These reasons should refer to the grounds for withholding information under the OIA. If an OIA request for redacted information is made, we will make our own assessment of what must be released taking your views into account.

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<sup>103</sup> Reserve Bank of New Zealand Privacy Policy. Available at: [rbnz.govt.nz/about-our-site/privacy-policy](https://www.rbnz.govt.nz/about-our-site/privacy-policy)

## Annex One: Interpretation

The table below outlines key terms that are used in this Issues Paper to describe access to transaction accounts, and varying levels of access that people have.

Concept	Description
Council of Financial Regulators (CoFR)	The Council of Financial Regulators (CoFR) is made up of five agencies – Reserve Bank of New Zealand, Financial Markets Authority, Commerce Commission, Ministry of Business, Innovation and Employment, and the Treasury who work together on matters of joint interest. CoFR contributes to responsive and coordinated financial system regulation.
CoFR Financial Inclusion Community of Practice (CoFR FI)	CoFR FI is composed of representatives of financial regulators, the Treasury and observer agencies (including the Ministry for Social Development and the Retirement Commission Te Ara Ahunga Ora). In early 2024, we released an overview of our agency roles and responsibilities, examples of key stakeholders and our vision.
Financial inclusion	CoFR FI has adopted the World Bank definition of financial inclusion for the purposes of our work: <i>“when individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way”</i> .
Financial exclusion	Financial exclusion refers to individuals and populations without access to financial products and services. This can include people who face structural barriers and people who have lost access (for example, had an existing transaction account closed).
Transaction account	A transaction account refers to a New Zealand dollar financial account that meets peoples’ transactional needs (e.g. payments and withdrawals). This term is used in this Issues Paper (rather than ‘bank account’) as transaction accounts are provided by a range of entities including banks, credit unions, building societies and FinTech’s.
Simplified or basic transaction account	The terms <i>simplified</i> or <i>basic</i> transaction accounts are used to describe a transaction account that has reduced functionality and simplified on-boarding requirements to best meet the needs of customers who may struggle to open traditional transaction accounts.
Vulnerable customers	This term refers to people who, due to their personal circumstances, could be at greater risk of experiencing harm in their interactions with financial entities as per the CoFR Consumer Vulnerability Framework.
Unbanked	This term refers to individuals who do not have access to the mainstream financial system (e.g., banks or credit unions). People that are unbanked rely on alternative products and services to meet their financial needs (e.g., cash).
Underserved or unserved	This term refers to people who have limited access to financial products and services, and face barriers that can limit their participation in the financial system (such as being geographically isolated).

## Annex Two: Consultation Questions

We encourage submissions via Citizen Space. For more information and to make an online submission please see: <https://www.rbnz.govt.nz/have-your-say>.

### Questions for engagement:

1. Do you agree this Issues Paper identifies the key problems associated with access to transaction accounts in Aotearoa New Zealand?
2. Do you agree that efforts should be taken by banks and regulators to improve access to transaction accounts in Aotearoa New Zealand?
3. Do you agree with the definition of a *basic transaction account* used in this Issues Paper?
4. Do you agree with our objective to improve access to transaction accounts through promoting the widespread availability of *basic transaction accounts*?
5. Do you agree that all New Zealanders should have the right to access a basic transaction account?
6. What features do you think a basic transaction account should have? (see page 30 of the Issues Paper for more information)
  - Simplified onboarding
  - Transaction limits
  - Balance caps
  - No cost accounts and no minimum balance requirement
  - No debt or overdraft
  - Online payments
  - Direct debit and automatic payment functionality
  - No time limit or forced migrations to traditional bank accounts
  - A formal refusal process for customers declined a basic transaction account
  - Available via multiple access points (online vs in person)
  - Other
7. Which of the following approaches do you think would be most effective in Aotearoa New Zealand to make basic transaction accounts widely available?
  - Regulatory requirements
  - Industry-led
  - Hybrid approach
8. Do you have any suggestions on how to improve access to *basic transaction accounts* that are not outlined in the Issues Paper?

### Questions for deposit takers:

9. Could your entity deploy the controls and design features to have a 'ring fenced' basic transaction account, for example, un-bundling transaction services from overdraft products, and limits on the amount of money coming in and out of accounts?
10. Could your entity measure and report on access to transaction accounts, including the number of applications for a transaction account that are declined and the reason(s) for the decline on an annual basis?
11. What are the most significant costs that your entity could expect in order to provide customers with basic transaction accounts?
  - Technology upgrades
  - Staff training
  - Data and reporting
  - Product design
  - Marketing and awareness
  - Internal policy changes
  - Other
12. What are the most significant benefits that your entity could expect in providing customers with basic transaction accounts?
  - Broadened deposit base
  - Supports organisational strategy
  - Improved stakeholder relations and reputation
  - Reduced costs of onboarding vulnerable customers
  - Other
13. Does your entity intend to pilot and/or implement a basic transaction account?
  - i. If yes, please briefly explain the approach you intend to take to pilot and/or implement a basic transaction account.
  - ii. If no, please briefly explain why you do not intend to pilot and/or implement a basic transaction account?
14. Do you think that the deposit-taking sector is well positioned to design and implement basic transaction accounts through an industry-led approach?
15. Do you foresee any regulatory support that may be required for you to design and implement a basic transaction account?