

23 January 2026

Cecilia Tarrant
Chair of the Board, Payments NZ Limited
Level 6, Simpl House, 40 Mercer Street
Wellington 6011

By email:

Dear Cecilia

Proposal to recommend the designation of the High Value Clearing System

We refer to the Reserve Bank of New Zealand's – Te Pūtea Matua (RBNZ) Proposal to recommend the designation of the High Value Clearing System (HVCS) under the Financial Market Infrastructures Act 2021 (**Act**) published 4 August 2025 (**Proposal**) and Payments NZ Limited's (**Payments NZ**) submission dated 30 September 2025.

We are writing to request further submissions from you relating to the Proposal.

The HVCS rules

A designated FMI's rules are the rules that are contained in documents specified in its designation notice under section 35 of the Act. Part 3 of the Act sets out the requirements for rules of designated FMIs.

Payments NZ's Rules is a document that sets out the rules and standards for access, participation, governance, and minimum standards that apply to all of the clearing systems operated by Payments NZ (there are 4 in total) under broadly defined categories called 'Parts' that also contain further 'Subparts'.

In Annex B of the Proposal, we published a list of rules from Payments NZ that identified a subset of the Payments NZ's Rules which it considered related to only material aspects of the HVCS functions. In Annex B, we also published a broader subset of Payments NZ Rules that specified any 'Part' of the rules that applied to the HVCS, which we considered to be the more appropriate rules to set out in a designation notice.

As discussed in our meeting on 15 January 2026, we have taken onboard Payments NZ's feedback on the scope of the Payments NZ Rules identified as HVCS rules and reviewed them again to ascertain their applicability to the HVCS. On that basis we attach a revised list of Payments NZ Rules at **Appendix 1** for your consideration and feedback.

The Act requires us to identify all rules that are applicable to the HVCS and are therefore the relevant rules for designation to be specified in the designation notice under section 29(1)(b) of the Act. We agree with Payments NZ's approach to identify individual rules within each Part of the Payments NZ Rules that apply to the HVCS, and we have changed the scope of our Proposal on this basis.

However, the Act does not provide RBNZ with discretion to determine which rules of the FMI should, or should not, be included in the designation notice on the basis of materiality or importance. Therefore, we are unable to implement an approach that only includes rules that provide for "material" aspects of the HVCS's activities.

We have also considered Payments NZ's comments on cost and efficiency if the rules become subject to the approval requirements in Subpart 3 of Part 3 of the Act. We believe it would be appropriate to work with Payments NZ, so it could re-draft the rules applicable to the HVCS into a separate document, which would apply solely to the HVCS. In our view this should allow Payments NZ to fully operate its other systems which are not designated, free from these regulatory requirements.

A separate rules document for the HVCS should also alleviate a number of Payment's NZ's concerns around costs and efficiencies. It will be straightforward for Payments NZ to publish a stand-alone HVCS rules document on its website, whereas it may be more complicated to publish selected Subparts of the current Payments NZ Rules.

We also consider having a stand-alone HVCS rules document will be more efficient for both Payments NZ and the RBNZ when using the rule change process under Subpart 3 of Part 3 of the Act because changing a single rules document will be administratively simpler. Finally, we expect a stand-alone HVCS rules document will be easier for the public and participants to access and understand.

We seek further submissions from Payments NZ in respect of the HVCS rules. Please advise:

- if Payments NZ agrees with the revised list of Payments NZ Rules at **Appendix 1** and provide any further information or comments; and
- whether Payments NZ wishes to re-draft the rules application to the HVCS into a separate document for the purposes of section 29(1)(b) of the Act.

Costs of compliance

In deciding whether to recommend that the Minister issue a designation notice for an FMI, we must take into account the need to avoid unnecessary compliance costs and unnecessary constraints on innovation.¹ We have outlined a non-exhaustive list at **Appendix 2** of potential costs that may arise for Payments NZ if HVCS is designated.

Payments NZ has said that designation of the HVCS will introduce cost and delay without delivering tangible benefits. It is important that we understand and consider these compliance costs and we thank Payments NZ for meeting with us in November to discuss this issue. While Payments NZ have provided some further information which we summarise below, we invite

¹ Financial Market Infrastructures Act 2021, section 13(2)(f).

further submissions from Payments NZ and participants about their compliance costs along with any suggestions for how such compliance costs may be avoided or reduced, should HVCS be designated.

- Publishing rules: Payments NZ advised there will be compliance costs to publish the HVCS rules as required by section 36 of the Act. While we acknowledge there will be some one-off cost involved in initially publishing the HVCS rules, we suggest our proposal to create a separate HVCS rules document will reduce compliance costs, as it will produce a single document which would be easier to publish, better for public consumption, and would be independent of other Payments NZ system rules. We also recognise that there would be an initial cost involved in creating the separate HVCS rules document should Payments NZ proceed to do so.
- Rule changes: Payments NZ expressed concerns about compliance costs for using the rule change process under Subpart 3 of Part 3 of the Act and referenced that it already engages with the RBNZ on material changes to its rules. The RBNZ regularly approves rule change applications from designated FMIs. These can be found on [our website](#). A rule change application must include certain information, under section 39(1) and we do recognise a level of cost and delay in this process as compared with rules changes for non-designated FMIs. However, we do not anticipate it will create significant compliance costs for Payments NZ. If designated, Payments NZ will have an allocated FMI Supervisor who can discuss ways to approach rule change applications in an efficient and effective manner.
- FMI Standards: Payments NZ noted there would be some transition costs to achieve compliance with the FMI Standards. However, Payments NZ noted that it already observes and complies with the Principles for Financial Market Infrastructures, which form the basis for the FMI Standards.

We seek further submissions from Payments NZ and participants in respect of compliance costs. Taking into account our views above and the potential compliance costs at Appendix 2, please:

- provide your operating expenses for the last financial year with respect to the HVCS;
- provide your estimate of the costs of meeting the legal and external assurance requirements in FMI Standards 1: Legal basis, 17: Operational risk, 17C: Cyber resilience;
- provide any further information or feedback on compliance costs in respect of the HVCS rules and FMI standards that would be incurred if the HVCS were to be designated, along with any indicative cost figures if possible. We recognise that compliance costs are not always quantifiable in financial terms;
- provide any other information or feedback on compliance costs that would be incurred if the HVCS were to be designated, along with any indicative cost figures if possible; and
- if the HVCS were to be designated, advise if there would be other compliance costs that are not directly associated with Payments NZ as operator of the HVCS, such as participant costs or other costs, whether financial or otherwise.

We stated above that a separate rules document for the HVCS might reduce certain compliance costs in respect of designation. We seek your feedback on whether there are any other anticipated

compliance costs that could be considered unnecessary, reduced or avoided, if the HVCS were to be designated.

Response

We invite your feedback and to provide additional submissions on the HVCS rules and compliance costs, if the HVCS were to be designated.

We also invite your view on whether Payments NZ wishes to re-draft the HVCS rules in a separate document for the purposes of section 29(1)(b) of the Act. Should Payments NZ wish to do so, we will work with you to agree a suitable timeframe to produce a document setting out the HVCS rules, based on the revised list of Payments NZ Rules at **Appendix 1**.

Method of response and deadline

You can email your written submission to FMIconsultation@rbnz.govt.nz or post your written submission to FMI Supervision, Reserve Bank of New Zealand, #2 the Terrace, PO Box 2498 Wellington 6140.

Please provide your submission by 20 March 2026.

Publication of submission

All information in submissions will be made public unless you indicate that you would like all or part of your submission to remain confidential. If you want any part of your submission to remain confidential you should provide both confidential and public versions of the submission. Apart from redactions of the information to be withheld (i.e., blacking out of text), the two versions should be identical. You should also ensure that redacted information is not able to be recovered electronically from the documents (the redacted versions may be published as received).

If you request that all or part of your submission be treated as confidential you should provide reasons why this information should be withheld if requests are 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, the RBNZ will make its own assessment of what must be released, considering your views. The RBNZ may also publish an anonymised summary of the submission along with submissions received in respect of the Proposal.

If you have any questions about this letter, please contact Aish Shaheen in the first instance.

Yours sincerely

Amber Wadsworth

Manager FMI Supervision

Cc: Scott McKinnon, Director Specialist Supervision

Appendix 1

List of Payments NZ Limited Rules applicable to the HVCS

Part 1 (excluding 1.2.1 & 1.2.2)

Part 2 (excluding 2.12, 2.14, 2.14A, 2.14B, 2.40-2.46, 2.48, 2.53)

Part 4 (excluding 4.15, 4.17)

Part 5 (excluding 5.7)

Part 9

Part 10 (excluding 10.6)

Part 11

Part 11A

Part 12 (excluding 12.7-12.10, 12.17)

Part 12A (excluding 12A.21)

Part 13

Part 14

Part 15

Part 16 (excluding 16.9)

Part 17

Part 18

Part 19

Appendix 2

Potential costs if the HVCS is designated

As set out in section 6 of the Proposal (Next steps), if the HVCS is designated, Payments NZ will need to identify any compliance gaps against the Act and FMI Standards then seek agreement with us to resolve any compliance gaps, which could incur cost.

Notwithstanding this, we have considered the FMI Standards and identified certain compliance costs we anticipate could be incurred if the HVCS were designated. This table is a non-exhaustive list of anticipated compliance costs relating to the FMI Standards. If compliance gaps are later identified with any FMI Standard (as explained above), there may be additional costs.

Requirement	Potential costs
FMI Standard 1: Legal basis	This requires a legal opinion that demonstrates the enforceability of the FMI's rules and contracts across relevant jurisdictions. This would incur a necessary cost if designated.
FMI Standard 2: Governance	This requires the board of directors to take responsibility for ensuring the design, rules, overall strategy, and major decisions appropriately reflect the legitimate interest of the FMI's direct and indirect participants, and other relevant stakeholders; and that major decisions are clearly disclosed in a reasonable timeframe after the decision is taken to relevant stakeholders and, where there is a broad market impact, the public. This may incur a necessary cost if designated.
FMI Standard 15: General business risk	This requires the operator to hold liquid net assets funded by equity to cover general business losses and also hold liquid net assets funded by equity equal to at least six months of current operating expenses. This will be a necessary cost if designated.
FMI Standard 17: Operational risk	This requires the operational risk management framework and compliance with the framework to be assessed by an external assurance engagement. This will be a necessary cost if designated.
FMI Standard 17C: Cyber resilience	If determined that cyber risks are present then it would require a cyber resilience strategy, framework and external assurance engagement by a qualified auditor at least every two years which could incur costs.
FMI Standard 18: Access and participation requirements	This would require Payments NZ to publicly disclose the access requirements to the FMI which could incur costs.

Requirement	Potential costs
FMI Standard 23: Disclosure of rules, key procedures, and market data	This requires the operator to publicly disclose the rules, procedures, descriptions of the FMI and its services, certain fee details and basic transaction volumes and values. The operator must also provide documentation and training to participants. This will incur necessary costs if designated.
FMI Standard 23A: Disclosing compliance with the FMI Standards	Payments NZ does not currently disclose compliance with the FMI standards. This will be a necessary cost if designated.
FMI Standard 23B: Notifying the regulator	While Payments NZ has notified the regulator about material incidents in the past, the requirement to do so if designated could create a new compliance cost.

Further, and as discussed in the letter above, we anticipate there will be certain compliance costs associated with set up and ongoing administration if the HVCS were designated, including but not limited to:

- costs to publish the HVCS rules;
- rule change costs;
- supervisory engagement costs (e.g. periodic meetings and engagement);
- costs to respond to supervisory information requests.