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Reserve Bank

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Retail NZ submission: Digital cash in New Zealand consultation

1. Retail NZ is a membership organisation that represents the views and interests of New Zealand's retail sector. We are the peak body representing retailers across Aotearoa, with our membership accounting for nearly 70% of all domestic retail turnover. New Zealand's retail sector comprises approximately 27,000 businesses and employs around 220,000 Kiwis. We have consulted our membership in the preparation of this submission.
2. Retail NZ agrees in principle with the proposal for digital cash to be issued by the Reserve Bank of New Zealand. However, this is subject to appropriate resolution of a number of matters which we outline in more detail below.
3. Retail NZ is strongly in favour of advancing digital payments technology in New Zealand. Demand for secure, fast, convenient and cost-effective digital payments is increasing. As consumer and business demands continue to evolve, we want the complexity associated with digital payments to be reduced.
4. We have recently published a [Position Statement on Retail Payments](#), which sets out our view on the actions needed from each participant in the digital payments system, including the Government, banks, terminal providers and retailers. Although the document does not specifically refer to digital cash, it does set out the multiple players involved in the payments system and the need for each participant to work in concert with others, in order to achieve change.
5. Digital cash will not operate separately to other payment systems. The introduction of digital cash is an opportunity to create a joined up national strategy across all money and payment systems.
6. Our recommendation is that New Zealand should be a 'fast follower' of international practice on this initiative. We should look to learn from the successes and failures of other countries in developing digital cash, and take the time to develop the necessary infrastructure and public education to ensure success.

Detailed comments

7. Retail NZ agrees that digital cash will provide another means of access to money which would be useful for individuals who do not have a bank account. It could also be valuable when power or the internet is down due to cyberattack or natural disaster.
8. We acknowledge that New Zealanders are using physical cash less but we strongly support the retention of cash as an option for transactions into the future. Retail NZ members encompass major retail chains through to owner-operated independent stores. Some customers still prefer to use cash and retailers would wish to continue to have this option available.
9. The security of customer data must remain paramount. Improvements in the payment ecosystem must not be made at the expense of security and customer experience. That said, innovations like digital cash need to be easy to use, implement and maintain, or new technologies will not be adopted by retailers or customers.
10. Introducing a new form of money and a new means of making payments and making it widely available for use by New Zealanders will require significant investment by both the public and private sectors. It may be that commercial organisations and consumers will need

to be incentivised to adopt digital cash, given that there does not appear to be significant demand at the present time. Both individuals and businesses will need to see advantages in adopting digital cash over more familiar forms of payment.

11. For digital cash to become a mainstream payment type at low cost, it will be essential that consumers accept its use. Extensive public education programmes will be required to explain the benefits and weaknesses of this new payment option.
12. Making the cost structure of payments simple and easy to understand is critical to support ongoing uptake of new technologies, and to ensuring that payments on retail transactions are safe and seamless. All parties involved in the end-to-end payments process must work together for the best outcomes for all parts of the sector.
13. It is ultimately the ability of the private sector to develop solutions over the long term that will drive uptake and common use of digital cash. Therefore, the private sector must be involved in the design of the payments system.
14. The cost-benefit ratio of introducing digital cash must be carefully considered. All participants in the payments ecosystem will need to be aligned and supportive of the need to upgrade existing payments infrastructure to allow the integration of digital cash, or the introduction of new technology platforms. The lack of investment in the Eftpos system over the years has seen New Zealand fall behind in payments technology and we need to ensure that we learn from this experience and the situation is not repeated in the future.
15. It can be extremely expensive and time consuming for retailers who have more complex POS solutions both instore and online, to ensure they have a compliant payment acceptance structure. So we recommend that any payment method avoids adding additional complexity and compliance. Sufficient time will also be needed to allow these changes to be introduced and rolled out at scale.
16. For small retailers, the technology interface will need to be easy for SMEs who do not have IT support on a daily basis. Complexity for SMEs must be minimised to enhance the likelihood that they will adopt a new form of payment.
17. The infrastructure supporting digital cash must be highly secure, and guard against cyber-attacks and fraud. This will require continual technology upgrades and will affect the entire payments ecosystem including banks, payment service providers and retailers. It is difficult to see how this can be implemented at low cost so further investigation of this aspect will be required.
18. Protections for retailers, for example against overpayment and to permit refunds, must also be a feature of any digital cash system.
19. Given the continued growth in e-commerce, both within New Zealand and across our international borders, consideration must be given to the use of digital cash for cross-border digital currency exchange.
20. We question the suggested limit of digital cash holdings at \$2000 per person. This seems unnecessarily low and would be insufficient for many common retail purchases, such as whiteware, technology or jewellery. This risks creating poor customer experiences and limiting the uptake of digital cash. For consistency with the Anti-Money Laundering and Countering Financing of Terrorism Act limits on cash transactions, we suggest the limit should be \$10,000. Consideration should also be given to pegging the limits on digital cash to inflation.

Conclusion

21. Thank you for the opportunity to make a submission. Retail NZ is happy to discuss any aspect of this submission further.
22. No part of this submission should be withheld under the OIA.

Sincerely,

A handwritten signature in blue ink, appearing to read 'C. Young'.

Carolyn Young
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