

Annual Report 2025

Exchange Settlement Account System Report to Account Holders



Contents

System Overview	2
About ESAS	2
Management Commentary	4
Operations and Development	4
Key Statistics	6
Risk Management	10
Financial Market Infrastructures Act Compliance	12
Financial Performance	13
Plan for 2025-26	14
ESAS Plan for the Year 1 July 2025 to 30 June 2026	14

Directory

Exchange Settlement Account System (ESAS)

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TIROHANGA WHĀNUI

System Overview.

About ESAS

The Exchange Settlement Account System (ESAS) is New Zealand's principal high-value payments system and is charged with providing an efficient and safe process for the real time electronic settlement of payments between account holders. The ESAS system is owned and operated by the Reserve Bank of New Zealand - Te Pūtea Matua (RBNZ) on a cost-recovery basis and is not included in the RBNZ Five-Year Funding Agreement.

The Reserve Bank has provided ESAS as a real-time gross settlement system (RTGS) since 1998. Account holders electronically submit instructions to debit an account and credit another account using an authorised electronic submitting mechanism. Authorised submitting mechanisms include closed user groups which use the SWIFT electronic messaging system, the NZClear system and direct entry of transaction details into ESAS. The system is available for use by account holders for 23.5 hours each calendar day. Each ESAS day begins at 9:00am on a calendar day and ends at 8:30am the following calendar day.

A payment will be settled (i.e., funds are transferred from one ESAS account holder's exchange settlement account to another ESAS account holder's exchange settlement account) once a transaction instruction is authenticated, the payment instruction is authorised by the payer and the payer has sufficient funds in their exchange settlement account to effect the transaction. Once a transaction is settled it cannot be revoked.

ESAS is a systemically important payment system under the Financial Market Infrastructures Act 2021 (FMI Act). The ESAS regulator is the Prudential Supervision Directorate, part of the Reserve Bank's Financial Stability Group. Institutional arrangements ensure that dealings between the Payments Services Directorate and Prudential Supervision Directorate occur on an arm's length basis.

In accordance with the provisions of the Reserve Bank Act, the RBNZ Board is its governing body and is responsible for all decisions relating to the operation of the RBNZ. The Board is therefore ultimately responsible for the operation of ESAS. For practical purposes, the Board delegates the day-to-day management authority of the Reserve Bank to the RBNZ Governor. This includes the authority to establish roles within Reserve Bank and organise the Reserve Bank to ensure it is fit for purpose.

The Governor delegates responsibility for administering the operational aspects of the System to the Reserve Bank's Payments Services Directorate, which is headed by Steve Gordon. Day-to-day business support is provided by the directorate's Payment and Clearing Services Team and the Application Support and Technical Operations Team.

The Payments Services Directorate reports on the operation of ESAS to Karen Silk, the Reserve Bank's Assistant Governor/General Manager, Economics, Financial Markets and Banking.

Datacom supports the telecommunications network infrastructure, and related security features utilized by the system. Application support services and application development are provided by the Nexi Group. The Reserve Bank manages Datacom's and Nexi's provision of services through service contracts and related service level agreements. The management process includes assessment of performance at regular review meetings, regular performance reports, review of problem management reports, a relationship governance committee and relevant project steering committees.

The aggregate level of liquidity in the ESAS system is managed by the Reserve Bank's Financial Markets Directorate (FMD). FMD injects or withdraws liquidity from the system by undertaking transactions such as reverse repurchase agreements, foreign currency swap transactions, and issuance of Reserve Bank Bills. FMD's objective is to ensure that there is adequate aggregate liquidity in the system to ensure the efficient operation of payments, while also maintaining short-term wholesale interest rates at levels close to the Official Cash Rate.

Management Commentary.



Operations and Development

As the 2024-2025 financial year ended, we were on the cusp of delivering two significant multi-year projects for both current and prospective ESAS participants. While both projects centre around advancing the strategic roadmap for ESAS, they contrast significantly in nature and execution path.

The ESAS Access Review project is policy focused to deliver a revised access policy and criteria for assessing institutions that want an ESAS Account. The project embraces RBNZ's strategic themes of efficiency and competition, and participation, carefully balancing these alongside the ongoing need for the utmost trust and resilience in ESAS as the core of New Zealand's financial system. The review began in 2022 and included two public consultations. New access criteria were introduced and applications opened for licensed non-bank deposit takers in New Zealand in early 2025. Opening applications for other institutions that meet the new access criteria is scheduled for September 2025.

The ESAS V7 Upgrade Project involves major technical hardware and software upgrades to the underlying infrastructure and application layers that make up the ESAS operating platform. This is the most significant upgrade of ESAS since the RBNZ went live with the new RTGS product in February 2020 and will ensure it remains highly secure and resilient, internationally compliant with new ISO20022 messaging protocols, and contemporary from an end user perspective. The third quarter of 2025 quarter represents the key delivery period for remaining aspects of the project.

We maintained a close working relationship with the ESAS regulator across the year to ensure all facets of the FMI (Financial Market Infrastructures) Act and associated standards are well embedded, and that ESAS operates in alignment with the regulatory expectations. At the same time, we also continued to operate and report under the Principles for Financial Market Infrastructures (PFMI) regime, including completing our self-attestation against the applicable principles. The ESAS PFMI self-attestation was updated and published in January 2025 and is available on the RBNZ website.

Risk management and assurance activities continued as key disciplines required for the safe and effective running of our business. A wide range of internal audits over business operations, extensive external PricewaterhouseCoopers (PwC) audit activity, and project related internal quality assurance audits provided positive independent assurance across the year. Regular engagement continued with the RBNZ enterprise risk management team, and the Payments Risk Forum continued to meet regularly. Reporting of these activities flowed through to the RBNZ Audit Committee, Enterprise Risk Committee (ERMC) and RBNZ Board throughout the year ensuring appropriate governance and oversight of ESAS.

General business performance was excellent across the year with systems availability running at 100%. The SBI365 environment requires that ESAS is operational 365 calendar days. Therefore the availability statistic equates to 100% availability over every calendar day of the year with no material incidents arising. The annual customer satisfaction survey results were positive with 97% of respondents recording that their customer expectations were either met or exceeded.

The ESAS Participants Group continued to meet twice yearly as a collective to update and discuss major developments and activities. In addition, many bilateral meetings were held because of the two major projects and this provided good opportunity to discuss and further understand the needs of the user base.

Total annual transaction volume increased to 4.06 million (2024: 3.73 million). From a year-on-year comparative perspective ESAS daily volume increased to 11,126 (2024: 10,199) whilst the value increased to \$29.8 billion (2024: \$24.8 billion). Transaction volume resulted in revenue of \$14.733 million. Operating expenses were \$14.103 million, leading to an over recovery of \$0.630 million. The over recovery was applied to reserves, resulting in a balance of \$2.520 million as at 30 June 2025. As a result of these revenue and expense outcomes the annual transaction fee remains unchanged, and we will continue to maintain a reasonable reserve to factor into and smooth future pricing decisions and any underlying changes to volume, revenue and cost base.



Steve Gordon, Director of Payment Services

August 2025

Key performance statistics for the year ended 30 June 2025

Key performance indicator	2025	2024
System availability (%)	100.00	99.99
Annual transaction volume (million)	4.06	3.73
Average daily transaction volume	11,126	10,199
Average daily transaction value (\$billion)	29.8	24.8
Operating expenses (\$000)	14,103	12,630
Customer satisfaction meets or exceeds expectations (%)	97	100

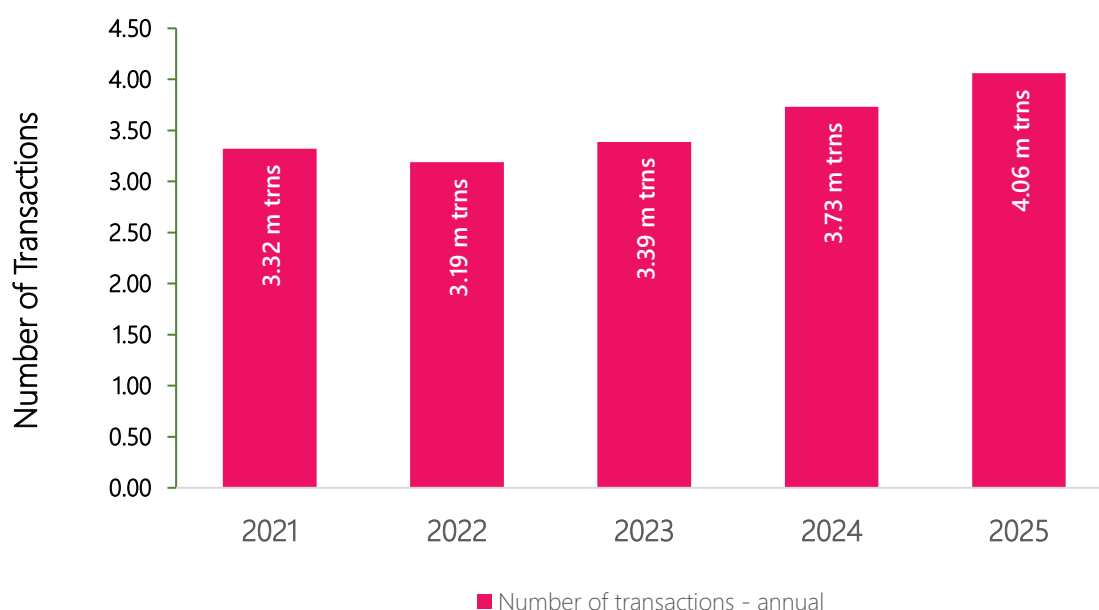
TATAURANGA MATUA

Key Statistics.

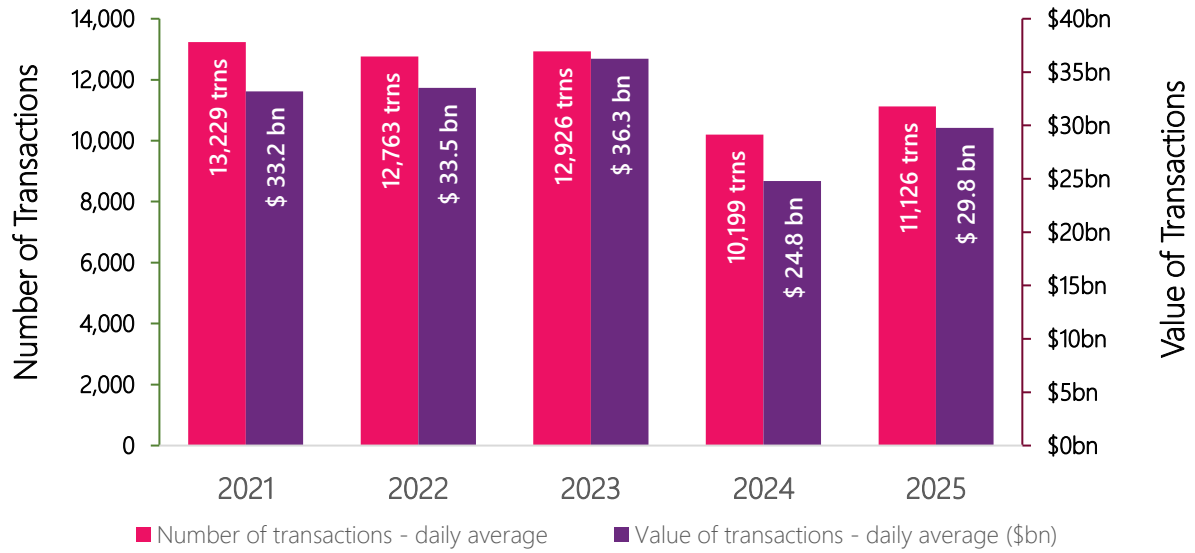
There are three primary interfaces or 'Account holder Submitting Systems' which are used by ESAS account holders to submit payment instructions to ESAS:

- Directly from the NZClear system.
- Via the SWIFT system where members of the Assured Value Payment (AVP) closed user group use ESAS to pay other members of that closed user group. The Reserve Bank is the administrator of the AVP closed user group.
- Via the SWIFT system where members of the Settlement Before Interchange (SBI) closed user group use ESAS to pay other members of that closed user group. Payments NZ Limited is the administrator of the SBI closed user group. Once an SBI settlement has been effected in ESAS, a confirmation is sent to SWIFT which then allows an associated interchange file containing underlying payment details to be released to the destination bank.

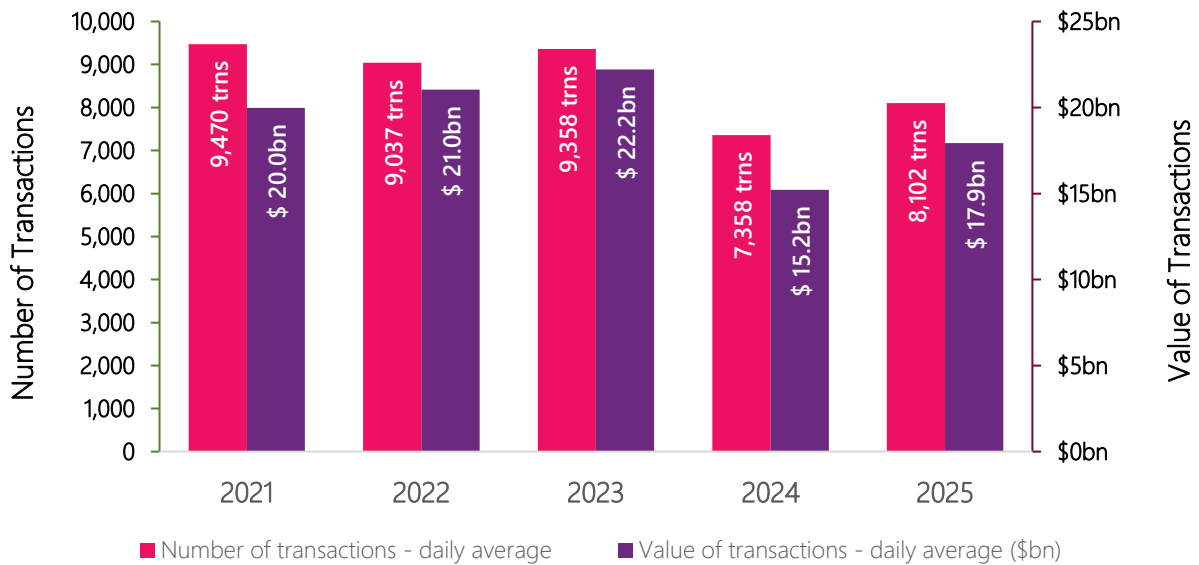
Transaction volume per year – All



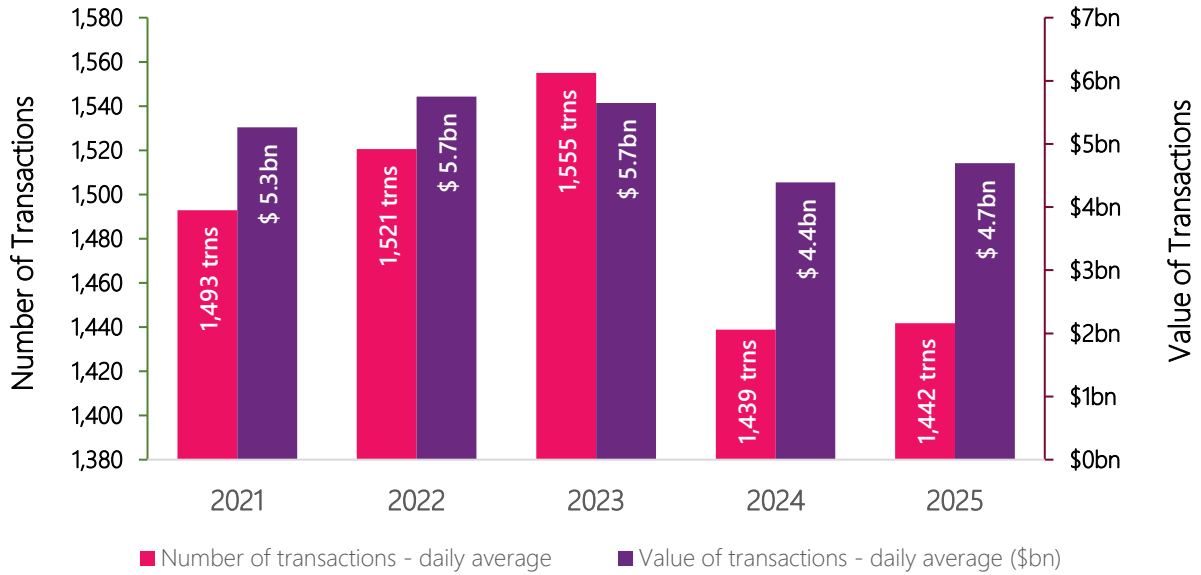
Transactions per day – All



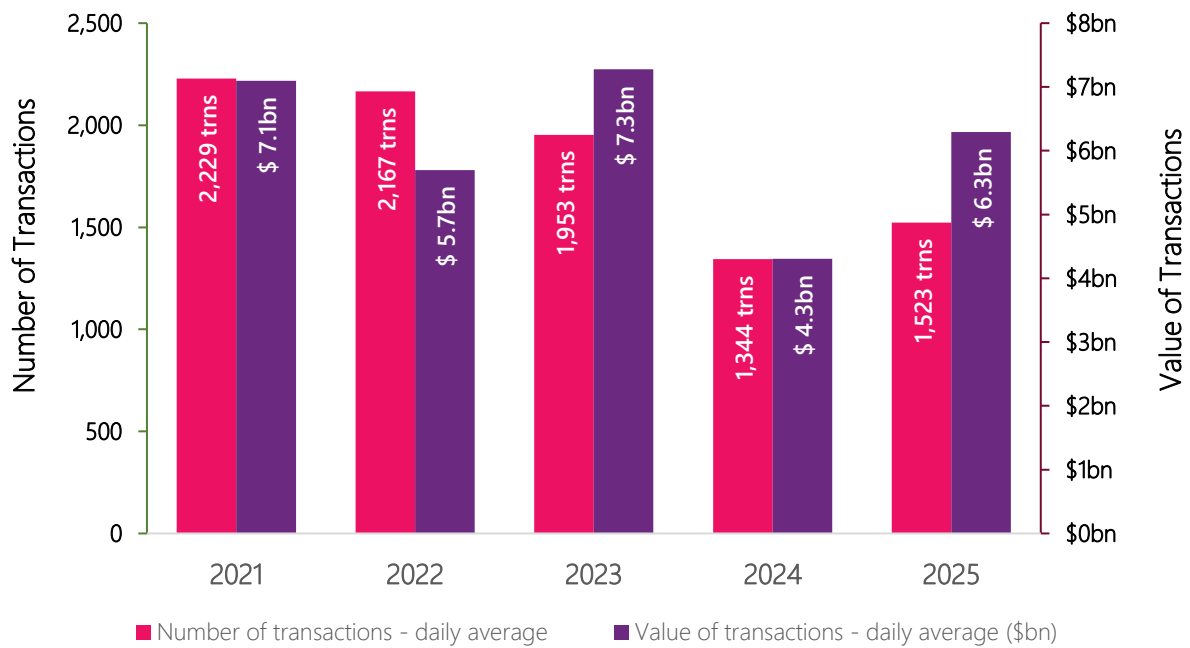
Transactions per day – Sourced from Swift AVP



Transactions per day – Sourced from SBI



Transactions per day – Sourced from NZClear



System outages year ended 30 June (hours:mins)

	2021	2022	2023	2024	2025
Outages	3:00	0:00	0:00	0:58	0:00

Customer satisfaction

	2021	2022	2023	2024	2025
Exceed expectations	78%	92%	81%	88%	94%
Meet expectations	14%	8%	19%	12%	3%
Does not meet expectations	8%	0%	0%	0%	3%
Total	100%	100%	100%	100%	100%

NGĀ WHAKAHAERE WHAKATŪPATO

Risk Management.

PricewaterhouseCoopers (PwC) conducts annual audits of ESAS's internal controls, mandated by the ESAS Terms and Conditions, to ensure robust risk management practices. PwC conducts this audit on behalf of the Reserve Bank's external auditor, the Auditor-General. The audit covers the controls executed by the Reserve Bank's independent third-party service provider, Datacom.

The annual assurance report from the auditor is addressed to the Directors of the Reserve Bank and reviewed by the Reserve Bank Audit Committee, with participation from external auditors, Reserve Bank governors, and management.

A copy of the assurance report is distributed to account holders. Audit findings and recommendations are evaluated, and the progress of implementing the agreed actions is monitored.



Regular controls-based auditing is undertaken by a third party in order to obtain independent assurance regarding operational integrity.

Senior management and the audit committee provide governance and oversight over the treatment and remediation of recommendations from auditors and security experts.

The key elements of risk management for the system include:

- Ensuring adherence to frameworks, procedures, and controls;
- Implementing measures to manage operational risks;
- Maintaining and regularly testing business continuity plans; and
- Providing ongoing oversight and auditing of operations.

Risk management at the Reserve Bank is considered an integral part of daily operations. This includes RBNZ-wide corporate policies outlining required staff conduct and specific internal control systems embedded in the various activities of the Reserve Bank. Additionally, RBNZ closely monitors third party service providers to ensure their performance meets contractual terms and service-level agreements.

The Payment Services Directorate Risk Forum (PSDRF) sets PSD's risk management vision and objectives, assesses PSD-specific risks, and maintains the risk management framework aligned with Enterprise Risk Management principles.

There is continuous focus on risk management uplift work, including enhancing frameworks, incident management, and system security. Monitoring is conducted through a dedicated Security Operations Centre, and the Reserve Bank annually attests to compliance with the SWIFT Customer Security Programme.

The Reserve Bank's Auckland office collaborates closely with Wellington office, ensuring business continuity in case of a regional disaster impacting ESAS operations. ESAS is designed for high availability and resilience, with infrastructure and applications housed in separate Hamilton and Auckland data centres. Each centre maintains a complete replica of ESAS components, allowing for seamless site swapping or disaster recovery as needed. Every six weeks, the production stack is rotated between sites to ensure operational readiness. Additionally, in the event of a dual data centre failure, ESAS can switch operations to its third disaster recovery site, the RTGS Extreme Contingency System (RECS), located in Milan.

FINANCIAL MARKET

Infrastructures Act Compliance

As RBNZ's Financial Market Infrastructures operator the Payment Services Directorate had ensured compliance with all applicable FMI Standards under the Financial Market Infrastructures (FMI) Act 2021 by 1 March 2024.

Since then, the compliance landscape this year has been shaped by preparations for the transition to the new Financial Markets Infrastructure (FMI) Act-based disclosure regime, set to take effect for ESAS on 2 March 2026. As part of this transition, significant progress has been made by RBNZ in populating the Risk Radar platform which is the central compliance tool used to document, assess, and track ESAS's alignment with each FMI Standard.

Narrative content has now been developed across all designated FMI Standards, with feedback from subject matter expert reviews incorporated to ensure the content accurately reflects the system's control environment, and compliance obligations. This work forms the foundation for the upcoming disclosure requirements and demonstrates our proactive approach to meeting the enhanced expectations under the new regime.

Earlier in 2025, the Principles for Financial Market Infrastructures (PFMI) disclosures for ESAS were reviewed, finalised, and published. These disclosures served as a formal assessment of ESAS's compliance with the PFMI at that point in time, incorporating insights from subject matter expert reviews and internal quality assurance processes.

A key area of compliance focus relates to oversight practices for Critical Service Providers (CSPs), in alignment with Standard 17B expectations. Across 2025, efforts have centred on consolidating the documentation that outlines how CSP risks are assessed, monitored, and reviewed within the broader enterprise third-party risk framework. Particular attention was given to ensuring that control practices and service resilience mechanisms are clearly evidenced and can support regulatory assurance. In response to ongoing regulatory engagement, additional detail was provided on how oversight responsibilities are defined, how incidents are escalated and reported, and how service-level expectations are enforced through contractual and governance mechanisms.

Compliance activities have also extended to supporting operational and cyber risk assurance initiatives, particularly in the context of the internal audit of the ESAS Enterprise Risk Management (ERM) framework initiated in 2025. This audit covers several key FMI Standards, including 17 (Operational Risk), 17A (Contingency Planning), 17B (Critical Service Providers), and 17C (Cyber Risk Management). As part of this, the relevant documentation and evidence requested by internal audit have been provided, including materials on governance, risk processes, and oversight arrangements. At the same time, work is ongoing to refine controls mapping and documentation to ensure alignment with audit expectations and to strengthen our overall readiness for the enhanced disclosure and assurance obligations under the new regime.

NGĀ WHAKAKITENGA AHUMONI

Financial Performance.

The short-form Statement of Financial Performance for the ESAS business is:

	2025 \$000	2024 \$000
Operating expenses	14,103	12,630
Over-recoveries (to be applied against future operating costs)	630	162
Fees paid by account holders	14,733	12,792
Average fee charged per transaction	\$3.65	\$3.45

ESAS is operated as a division of the Reserve Bank and services are charged to users on a cost recovery basis. The ESAS business is attributed costs by the Reserve Bank. These include charges for use of the Reserve Bank's resources, such as staff, occupancy, internal audit, governance, and accounting and information technology. Indirect costs incurred by the Reserve Bank are allocated to the ESAS System based on estimated costs that the business would incur on a stand-alone basis.

The above figures are extracted from the Reserve Bank's audited financial records, but the accounts of this division have not been subject to a separate external audit. Income and expenditure for the ESAS business is calculated using the accounting policies specified in the Reserve Bank's financial statements.

Transaction volume resulted in revenue of \$14.733 million. Operating expenses were \$14.103 million, leading to an over recovery of \$0.630 million. The over recovery was applied to reserves, resulting in a balance of \$2.520 million at 30 June 2025.

The expense base for operating ESAS increased by 12%. The increase in operating expense was largely driven by on-charges for services such as governance and cyber security, project-related operating expenses, and depreciation of hardware.

The \$3.65 transaction fee was maintained throughout the year.

In addition to the \$3.65 transaction fee, from 1 July 2025 there will be the introduction of a \$2,000 per month fixed fee for ESAS account holders. We continue to review our fees as year-on-year volume trends are observed and expenses related to the operations of ESAS activities are both forecast and realised.

TE RAUTAKI MŌ TE 2025-2026

Plan for 2025-26

ESAS Plan for the Year 1 July 2025 to 30 June 2026

ESAS Performance Expectations:

- Financial transactions happen in real time by maintaining systems availability for at least 99.90 percent of core business hours.
- ESAS maintains strong resilience against disruptions meeting the two-hour recovery time criteria specified in Financial Market Infrastructures Act 2021 standards.
- More than 75 percent of customer survey respondents are satisfied or very satisfied with the Operator's performance.

ESAS Performance Targets:

- Deliver necessary system changes and upgrades to the software under appropriate project management frameworks and governance structures to ensure ESAS is running on a supported, reliable, and resilient platform.
- Enhance system functionality by implementing an agreed change roadmap for ESAS, providing high quality functionality and capability fit for NZ market operations.
- Maintain compliance with the Financial Market Infrastructures Act (2021) and engage regularly with our regulators.
- Arrange and be subject to the annual ESAS external audit, prepared in compliance with International Standard on Assurance Engagement (ISAE) 3402 requirements. The audit report will be shared with ESAS account holders.
- Complete the annual report for ESAS covering operational and financial performance for the 2025/26 financial year.
- Monitor ESAS financial performance and review pricing model annually in alignment with our agreed targets.
- Convene bi-annual meetings of the ESAS Participant Group.
- Foster efficiency, interoperability and collaboration with our ESAS accountholders, key FMI partners and the wider market.
- Adhere to RBNZ values of Integrity/Tauira, Innovation/Wānanga, Inclusion/Taura, and its approach to Te Ao Māori and climate issues.

The following project work continues:

- Implement ESAS V7, including ISO20022 phase-2 (statement and enquiry messaging).
- Complete Phase 2 of the ESAS Access Review and implement revised ESAS Access Policy and Criteria.

