



Monday 2 December 2013

Mr David Murray AO
Chair
Financial System Inquiry
The Treasury
Langton Crescent
PARKES ACT 2600

Via Email: fsi@treasury.gov.au

Dear Mr David Murray AO,

VISA SUBMISSION – FINANCIAL SYSTEM INQUIRY DRAFT TERMS OF REFERENCE

Congratulations to the Federal Government on progressing the Coalition's pre-election commitment to conduct a Financial System Inquiry's (FSI) through the recent release of draft Terms of Reference (TOR) for the FSI.

Visa appreciates the opportunity to provide a short submission regarding the FSI draft TOR. Visa's substantive policy positions will be outlined in subsequent submissions and at inquiry hearings.

Visa is a leading payments sector participant with a focus on innovation and the benefits of payments innovation for Australian consumers.

Visa supports the Government's announcement of the FSI as the next comprehensive review of how the financial system could be positioned to best meet Australia's evolving needs and support Australian economic growth. We support the Government's focus on fundamental aspects of the financial system such as efficiency, competition and flexibility leading to financial stability, prudence, integrity and fairness.

Visa Supports Inclusion of Payments System in Draft TOR

Visa strongly welcomes the specific inclusion of the payments system in section 3.6 of the draft TOR regarding "*developments in the payment system*" and submits the Government maintain this reference in the final FSI TOR.

A report by Moody's Analytics in February 2013 (**attached**) highlights the importance of electronic payments to the global and Australian economy. Electronic payments contribute to efficiency, effectiveness and transparency in financial systems both globally and domestically.

According to this Moody's research, the growth in the use of electronic payments, such as credit and debit cards, added nearly US\$21 billion (AU\$20.2 billion) to the Gross Domestic Product (GDP) of Australia. It also concluded that, "card usage makes the economy more efficient, yielding a meaningful boost to economic growth". Globally, in the same study, electronic payments were found to have contributed US\$983 billion to the GDP of the 56 countries examined between 2008 and 2012. As such, this growth in the use of electronic payments systems is important in the context of the FSI.

One of the core recommendations from Wallis was the view that the Australian payments system is central to the financial sector's "orderly function". It was Wallis which recommended the establishment of the Payments System Board (PSB) within the Reserve Bank of Australia (RBA). Subsequent to this the then Treasurer, the Hon Peter Costello, introduced the *Payment Systems (Regulation) Act 1998*.

It is therefore critical that payment systems and their regulation are in focus during the FSI and their inclusion in the draft TOR is consistent with the Government's focus on fundamental principles such as efficiency in the financial system.

Visa stands willing and ready to assist the Government and the FSI Secretariat in the conduct of the FSI during 2014.

Should you have any further questions about Visa's views, please do not hesitate for yourself or your office to contact either myself or Kristen Foster, Senior Director of Government Affairs and Public Policy, Australia, New Zealand & the South Pacific (e: krfoster@visa.com).

Yours sincerely



Vipin Kalra
Country Manager

cc: The Hon Joe Hockey MP, Treasurer
cc: Mr Grant Lovett, Office of the Treasurer
cc: Mr Anthony Pearson, Office of the Treasurer
cc: Dr Ian Beckett, Treasury