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Secretariat
Payments System Review
The Treasury
By Email: PaymentsReview@treasury.gov.au

Review of the Australian Payments System

Stripe is a technology company that builds economic infrastructure for the internet, we work with businesses of every size, helping them to accept online payments and run sophisticated financial operations globally. We help new companies start and scale online, and established businesses accelerate into new markets and launch new business models. Our clients use our technology to programmatically help them accept payments.

We were founded in 2011 with a goal to bring a technology-first approach to payments and finance. We bring together everything that's required to build websites and apps that accept payments and send payouts globally. Stripe's products power payments for [online and in-person retailers](#), [subscriptions businesses](#), [software platforms and marketplaces](#), and everything in between.

We focus on global coverage, automation, clients access to their own data, and seamless custom experience. From there, we've built an entire suite of products that sits on top of a deep technology stack. These applications solve the most common business needs and save teams resources in spinning up payments and financial capabilities. In essence, we abstract away payments complexity for clients which removes a barrier to growth.

We've been in Australia since 2014 with a growing team, as well as a growing range of clients and products available in market. We work with startups, all the way through to ASX listed companies. We've seen that 70% of Stripe businesses in Australia double their monthly volume after two years.

We welcome the opportunity to provide these comments to the review. We would like to take this opportunity to share key elements of our experience entering and growing in the market.

Streamlining regulatory arrangements

Australia's regulatory environment for payments and financial services is complex and fragmented, with many active regulators and multiple overlapping mandates that do not always align in complementary ways. At present, multiple regulators may have purview and there are often

confusing patchworks of oversight, creating uncertainty and confusion for companies, which in effect increases the regulatory cost of doing business in the payments industry.

One example of how this plays out in practice is in the ways public consultations are carried out. Each individual regulator consults on specific issues under their purview but does not consult with each other on matters of shared jurisdiction, despite the presence of inter-agency MOUs intended to facilitate coordination and collaboration.

Beyond this, there is an opportunity to streamline arrangements, so that each business has a 'lead regulator' and clarity on lines of accountability. This would be advantageous for critical oversight issues including AML. Having a lead regulator to oversee the implementation of the AML Act in a consolidated way, responsible for rulemaking, enforcement, and coordination with counterpart agencies would prevent gaps and shortcomings in implementation. In addition, a lead regulator with responsibility for AML, could facilitate the rethinking of requirements that may not be up-to-date and encourage more efficient, risk-based approaches. For example, updating the International Funds Transfer (IFTI) scheme's reporting rules for cross border transactions for goods and services, particularly retail. Having a more nuanced approach that delineates between retail transactions to those relating to remittance and crowd funding could serve both regulators and industry better.

As a further measure, it could be worth exploring whether the scope of the Council of Financial Regulators, whose mandate is to encourage coordination between Australia's main financial regulators, could be expanded to include regulatory streamlining in a robust way.

Finally, there would be merit in building payments expertise within one regulator. Payments are in many respects different to other financial services and there are specific nuances that warrant specialist attention. Countries like the UK have attempted to achieve this by introducing a single Payments System Regulator while other jurisdictions like Singapore have concentrated payments oversight under the purview of its central bank, the Monetary Authority of Singapore.

Learnings from other jurisdictions

Stripe works in many jurisdictions and therefore has experience of multiple regulatory environments. One regulatory environment that stands out is Singapore's.

Key features of Singapore's regulatory environment include:

- A single regulator in the Monetary Authority of Singapore (MAS) which carries out the full range of central banking functions related to formulating and implementing monetary policy. MAS' role is to not only regulate and supervise the financial sector but to promote and sustain economic growth. MAS is governed by a board of directors and chaired by Singapore's Minister for Finance. In its regulatory capacity, MAS oversees every aspect of monetary policy, banking and finance in Singapore, including matters relating to the insurance industry. According to its mandate, MAS' role as central bank involves:
 - Conducting monetary policy, including issuing currency and overseeing payment systems.

- Serving as a financial agent and banker to the government of Singapore by providing it with facilities in which to deposit money, and to transact with international financial institutions, such as the World Bank.
- Conducting supervision of Singapore's financial services, and surveillance of the country's financial stability.
- Managing Singapore's foreign reserves and assets.
- Developing Singapore's status as an international financial center.
- Prior to the MAS' introduction in 1970, the monetary functions of Singapore's central bank were performed by separate government departments. As the complexity of modern banking increased, however, and Singapore's financial profile grew, the inefficiencies of co-ordinating between financial departments became evident – creating a need for coherence and uniformity which only a centralized administrative body could provide.
- To improve AML oversight and enforcement, the MAS in 2016 established dedicated departments to combat money laundering and strengthen enforcement respectively:
 - A standalone AML Department that streamlined the existing responsibilities for regulatory policies relating to money laundering and other illicit financing risks. In addition, a dedicated supervisory team was set up to monitor these risks and carry out onsite supervision of how financial institutions manage these risks. These functions used to be carried out by different departments in MAS which were consolidated to enhance supervisory focus.
 - In addition, the MAS centralised and strengthened its enforcement functions under a discrete Enforcement Department. The new department continued to jointly investigate with the Commercial Affairs Department capital markets misconduct offences. It is also responsible for enforcement actions arising from regulatory breaches of MAS' banking, insurance and capital markets regulations.

While we recognise that having one regulator may not necessarily be the most appropriate approach for the Australian market, we believe that the regulatory regime could benefit from increased consolidation of existing overlapping areas of purview. Establishing clear and consistent lines of oversight and authority as well as enhanced cooperation and communication between various regulators would improve the ease of doing business and create greater certainty for industry.

Working with New Zealand

There are ready opportunities for Australian companies to expand into New Zealand, and likewise there are valuable services Australians could benefit from, originating from New Zealand. There is potential for greater cooperation and alignment across the two nations, with a view to harmonisation of approach. For example, aligning the processes and requirements for obtaining licenses and other regulatory approvals, or recognition that having a license in one jurisdiction could “earn” companies the right to a light touch approach in another. This would mean greater efficiency, consistency and transparency for companies operating across the two jurisdictions. We would also encourage greater collaboration and cooperation between the financial regulators/authorities in both countries on emerging policy areas such as open banking/APIs, and the application of machine learning and artificial intelligence in financial services.

Other issues

Below are our submissions on related matters that may inform the Review's core focus areas.

- **Public consultations:** Given the impact of the regulatory environment, it is imperative that updates and changes are made with adequate consultation so that unintended consequences can be guarded against. This takes time. Whilst it is important to progress matters and not be unduly delayed, it is also important to provide adequate opportunity for organisations to respond and provide views, whilst simultaneously continuing to operate in complex, dynamic environments. We would also encourage alignment between regulators setting out priorities for consultations on an issues basis, to reduce overlapping consultations and ensure that feedback is shared across agencies.
- **AUSTRAC regulatory mandate:** There is an opportunity to clarify AUSTRAC's remit and ensure new innovative activities are allowed in a balanced, careful way. At present it can be unclear where the boundaries of AUSTRAC's purview lie. It would be preferable to have simpler settings for application of obligations.
- **Stored Value Facilities (SVFs):** Consistent with the recently released report of the Council of Financial Regulators' review, oversight of Stored Value Facilities should be streamlined. We support the CFR's recommendation to treat SVFs as a new class of regulated product in order to remove the existing overlap between SVFs and non-cash payment facilities. In tandem with this, we think that consolidating the regulatory agencies that have purview over SVFs would be advantageous and help make licensing and regulatory compliance more efficient for businesses.

We thank you again for the opportunity to provide these comments. We would welcome the opportunity to discuss these with you further.

Yours faithfully



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