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Secretariat
Statutory Review of the Consumer Data Right
The Treasury
Langton Crescent
Parkes ACT 2600

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Statutory Review of the Consumer Data Right

NPP Australia welcomes the opportunity to provide a submission to the Statutory Review of the Consumer Data Right. The Consumer Data Right is a significant reform that both empowers consumers to benefit from their data and has the potential to play a critical role in driving innovation, competition, and productivity.

NPP Australia oversees the operation of the New Payments Platform (**NPP**), the country's real-time payments infrastructure. The NPP enables Australian consumers, businesses, and government agencies to make and receive data-rich real-time payments between bank accounts, 24 hours a day, 7 days a week, 365 days of the year.

The Review's Issues paper states that payment initiation will be a game-changer for CDR under the planned future extension of the Consumer Data Right. NPP Australia has been working with the financial services industry over the last five years to design a solution for third party payment initiation that will be delivered when the NPP's PayTo service starts to rollout from the end of June 2022.

PayTo is a new, digital way for businesses to initiate real-time payments from customers' bank accounts and gives customers visibility and control over the payment arrangements linked to their bank account. PayTo has been intentionally designed to support a broad range of use cases and different payment initiation scenarios including fintech applications and service offerings, merchant-initiated ecommerce and in app payments, funding for other payment options such as digital wallets and BNPL services, one-off payments, and a better alternative to current direct debit payments. PayTo can also be used by organisations to enable third parties to conduct payments on their behalf such as corporate payroll and accounts payable.

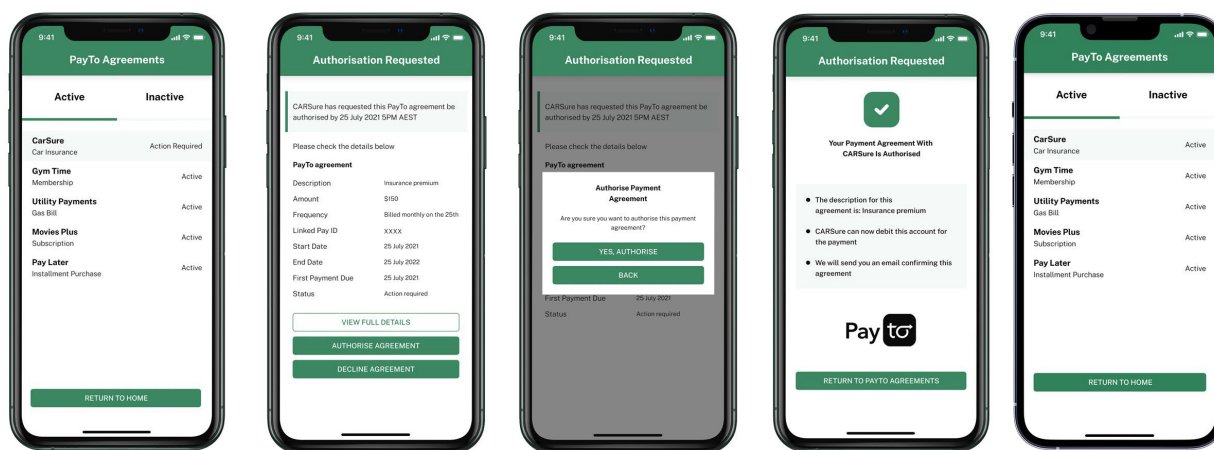
As referenced in the Future Directions of the Consumer Data Right report¹, the delivery of the PayTo service could be one means by which financial institutions can meet any potential obligations to deliver payment initiation under CDR. Delivering PayTo has been a multi-year programme of work requiring significant change to existing back-office processes, technical systems and customer facing digital channels at more than 100 financial institutions and will be in operation before CDR payment initiation is introduced according to the current published CDR timelines.

PayTo provides a safe, efficient, convenient, and secure way for third parties to initiate real-time payments directly from customers bank accounts. The service is built upon the rules framework, liability model and robust governance used to operate the NPP today. Specifically, PayTo has appropriate controls in place to ensure the ongoing protection of consumers and utilises existing features and safeguards in place today such as PayID, secure authentication practices, fraud prevention, liability allocation and risk management processes.

¹ [Inquiry into Future Directions for the Consumer Data Right Final report, December 2021](#)

As significant payments infrastructure with a fully developed rules framework and liability model, PayTo should be closely considered when the detailed design work is performed to extend the CDR framework to include payment initiation and when the accompanying legislation is developed. Whilst further work is required to ensure interoperability between CDR and PayTo (particularly around APIs and the customer experience), minimising any change or incremental build effort by financial institutions will ensure that CDR payment initiation is delivered to the market in a shorter timeframe whilst still achieving the desired outcomes. The Issues Paper for this Review states that the CDR framework should be agile and responsive, and this should be considered when determining how payment initiation should be delivered under CDR given these industry developments.

As part of PayTo, a common process for establishing customer authorisation for payments that can be initiated from customers bank accounts has been established. This process is currently being built and implemented by over 100 account servicing financial institutions:



This work has involved considerable effort by financial institutions to deliver this capability in their mobile and internet banking channels. Where possible, this work should be fully leveraged when considering the customer experience for CDR payment initiation and any changes minimised. User testing conducted by NPP Australia during the design process for PayTo also revealed that customers felt a greater sense of security and reassurance in having to authenticate themselves within their banking channel and authorising these payments in their banking environment, given this involves the actual movement of money from their bank account.

Payment initiation under CDR will also need to consider what the appropriate level of accreditation is required for third parties to be able to initiate payments from a customer’s bank account. A key feature of PayTo is that third parties require only **one** access point to the NPP infrastructure to initiate payments from any one of the 88m+ NPP enabled accounts. This is a key differentiator to third party payment initiation in other markets, such as the UK, and removes the need for a fintech to integrate with each and every financial institution where their customers hold their bank accounts – or the need to use intermediaries. Third parties wanting to use the NPP to initiate payments via PayTo have a range of access options², including the option to connect directly without the need for an ADI licence as a Connected Institution. NPP Australia has established processes and requirements in place to ensure broad participation in the PayTo service by a wide range of organisations.

Payment initiation will play a critical role in driving innovation and delivering better experiences and outcomes for consumers and businesses. PayTo delivers a comprehensive solution for third party payment initiation for account- to-account payments and is aligned to some of the core CDR principles:

² For more information on access options see <https://nppa.com.au/the-platform/accessing-the-platform/>

- Consumer focused – PayTo enables a more digital and enhanced customer experience, providing customers with more visibility and control over their payment arrangements. It also helps customers being able to move bank accounts more easily between financial institutions³.
- Encourages competition – PayTo can be used by a range of organisations, both financial institutions and others, to develop more seamless customer experiences and payment offerings.
- Creates opportunities - PayTo is transformative capability that will be the springboard for future innovation supporting a broad range of use cases, for both consumers and businesses.

With the delivery of PayTo this year, the current CDR data sets also need to be expanded to include PayTo agreements, particularly given we anticipate seeing PayTo quickly becoming a replacement for direct debit once it is available to payer customers.

NPP Australia looks forward to working closely with the Treasury CDR team as the work progresses to deliver payment initiation under CDR, resulting in better customer experiences and promoting competition and innovation in the market.

Yours faithfully



Katrina Stuart
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Australian Payments Plus

As a wholly owned subsidiary of Australia Payments Plus, NPP Australia is responsible for maintaining and developing the NPP to ensure it evolves to meet the future needs of the Australian payments industry, consumers, and businesses.

³ PayTo porting capability is due to be delivered in mid-2023