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Strategic Plan for the Payments System: Consultation Paper

Amazon Web Services (AWS), provider of the world's most comprehensive and broadly adopted cloud computing platform, welcomes the opportunity to provide input to the Government's Strategic Plan for the Payments System (the Plan).

Cloud enabling the future of payments

The way we pay is changing fast. Technology advances and drastically changing economic conditions have transformed the way customers view and interact with financial institutions. Customers, both consumers and businesses, today expect frictionless payments and instant settlement. The shift to digital was already underway before the pandemic and payment providers are now seeing a dramatic acceleration of three key trends: the need to scale processing; rising fraud attempts related to the shift to digital payment transactions; and an opportunity to adapt to changing lending and credit evaluations.

Payment companies—from large enterprises to fast growing startups—are meeting these frontiers with the cloud. Instead of buying, owning, and maintaining physical data centres and servers, payment companies can access technology services, such as computing power, storage, and databases, on an as-needed basis from a cloud provider like AWS. New technology services can be provisioned quickly and scaled as needed, without the upfront fixed expense, from fundamental infrastructure services such as compute, storage, and databases, to advanced capabilities such as Internet of Things, machine learning, data lakes and analytics, and much more. This flexibility enables payment companies to access the building blocks they need to respond quickly to changing business requirements.

Building on the cloud's core proposition, AWS has the privilege of working with companies across the payments value chain to achieve their goals. We do this by providing the secure, resilient global infrastructure, services, and expertise they need to accelerate release cycles, improve decision-making, reduce costs, and streamline operations. As a result, leading companies are now embracing cloud to both solve technology infrastructure needs in new ways and to create new experiences for their customers. Across the industry, we see a remarkable array of innovation using cloud solutions – the use of cutting-edge technologies like biometric authentication, virtual assistants, predictive loan offers, AI-enabled claims processing, ML-enabled fraud detection, and much more.

Crucially, the cloud is not just for highly sophisticated financial services for the digitally savvy consumer. It can also drive positive societal and economic change. In infrastructure-constrained rural

areas, and among small, innovative payment companies, migration of workloads to the cloud can greatly optimise IT operational costs, benefiting both payment companies and end-users including small and medium enterprises. With the on-demand and scalable nature of cloud infrastructure and services, incumbent financial institutions and new challenger fintechs alike are now overcoming the barriers to entry and embracing new possibilities to provide financial services to the unserved and underserved.

While agility with the cloud is a major vector underpinning this trend, the ability for payment companies to turn security and compliance from an obligation to a strategic advantage is an equal, if not more significant, one. From AWS's experience, cloud adoption can help payment companies comply with laws, regulations, and rules, and adhere to regulatory guidance and best practices. Building on the shared responsibility model that underlies the modern hyperscale cloud computing model, payment companies building on AWS can leverage governance-focused, audit-friendly service features to meet security compliance regulations and audit standards. Financial institutions also rely on AWS's internationally recognised certifications and accreditations, which demonstrate compliance with third-party assurance frameworks, including those that impact most financial services organisations, such as PCI-DSS, SEC Rule 17-a-4(f), Reg SCI, EU Data Protection Directive, FedRAMP, GDPR, FIPS 140-2, and NIST 800-171. The bottom line is that payment companies can arm themselves with the ability to move fast and stay secure through the cloud.

In that context, we have a firm conviction that cloud will directly enable the future of payments in Australia, and we are committed to supporting the varying regulatory agencies involved in nurturing a cloud-friendly environment and catalysing the next generation of payments. From an industry perspective, payment companies are looking to the cloud as an opportunity to modernise their infrastructure, meet rapidly changing customer behaviours and expectations, and drive business growth as part of Australia's digital transformation momentum.

Consultation paper

Key principles and priorities

The paper proposes that the Plan will outline key principles – efficiency, innovation, accountability, and trustworthiness – to articulate objectives for the payments system, and guide the Government's decision-making and policy work. The paper also outlines the key priorities, being: promoting a safe and resilient payments system; ensuring the regulatory framework is fit-for-purpose and promotes competition; ensuring alignment with the broader digital economy transformation; and modernising payments infrastructure.

AWS recommends that the principles and priorities are clearly technology-, vendor-, and location-agnostic. This important concept is acknowledged on page 17 of the consultation paper under the payments licensing regime initiative. Emphasising this concept clearly and upfront in the Plan will help avoid stakeholders inferring a particular technology or location is preferred, which could incorrectly influence their choices and lead to sub-optimal outcomes.

Supporting initiatives

In addition to the proposed supporting initiatives, AWS encourages the exploration of linkages with the work underway on the Digital Identity and the Trusted Digital Identity Framework. This would help achieve the key priority of alignment with the broader digital economy transformation, to foster innovation and support the potential for future adoption of CBDCs and stablecoins.

AWS also recommends the Government consider establishing a digital regulatory experimentation system, similar to those in Singapore and the United Kingdom, for the industry to co-design and experiment on complex payment system problem statements, with oversight from Government and payment system regulators. The Monetary Authority of Singapore's (MAS) FinTech Regulatory Sandbox¹ enables financial institutions and fintech players to experiment with innovative financial products or services in a live environment but within a well-defined space and duration. The UK's Financial Conduct Authority (FCA) hosted policy-focused CryptoSprint² events in mid-2022 to seek industry views about existing crypto offerings and the design of an appropriate regulatory regime.

It would also be beneficial for the Plan to highlight linkages and dependencies for the key priorities and initiatives across other major research and regulatory activity underway in Australia, such as tokenisation through the Digital Finance Cooperative Research Centre (DFCRC); digital identity frameworks; the Consumer Data Right (CDR); the RBA's CBDC research program; and crypto currency, buy now pay later (BNPL) and cybersecurity regulatory developments.

Process for reviewing the plan

AWS supports the proposal to review and, if necessary, adjust the Plan to ensure the priorities and initiatives remain appropriate, and particularly to take account of changes in the technological and regulatory environments.

Closing

Thank you for the opportunity to contribute to this important consultation. AWS would welcome the opportunity to expand on our submission in a discussion with Treasury, or to provide any further information.

Yours sincerely,



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¹ <https://www.mas.gov.sg/development/fintech/regulatory-sandbox>

² <https://www.fca.org.uk/firms/cryptoassets/cryptosprint>