

Director – Payments Strategy and Policy Unit
Financial System Division
The Treasury
Langton Cres, Parkes ACT 2600

6 February 2023

By email only: paymentsconsultation@treasury.gov.au



Australian Payments Network (**AusPayNet**) thanks Treasury for the opportunity to respond to its consultation on a Strategic Plan (**Plan**) for the future of Australia’s payments system. We are keen to offer our assistance to Treasury in developing the Plan, noting that it will be an important record of shared vision and policy direction and will provide leadership for the payments ecosystem to implement critical work programs and track the progress of payments reform.

Executive Summary – a Strategic Plan that shows payments leadership, and is executable and measurable

AusPayNet supports the Plan providing “certainty on policy priorities and strategic directions for the payments ecosystem, while being adaptable to future challenges and opportunities.”¹ We believe that the Plan will only be useful if it is executable in a timely manner and its progress can be determined according to appropriate time-based or outcomes-based milestones.

For this reason, we suggest that Treasury first establish a forward-looking vision of what the Australian payments system will look like in 3-5 years and how that differs to today. With this clear goal in mind, Treasury will then be able to determine the necessary policy priorities and initiatives, including new work programs to address identified gaps, to drive towards that vision. Noting that the proposed “priorities” should show the *order* of work programs and the “initiatives” should outline *actions*, the Plan needs to be granular (i.e. significantly more granular than that included in the consultation). A comprehensive Plan should have clear priorities and supporting initiatives/actions with milestones, owners, sequencing, incentives and consequence management. We suggest that Treasury consider the [United Kingdom Regulatory Initiative Grid](#) as a best practice example.²

AusPayNet notes that the ‘*Treasury Review of the Payments System*’ (**Review**) concluded that the Australian regulatory architecture needs to progress in three aspects: (1) enhanced payments leadership, (2) aligned payments regulation and (3) simplified payments licensing.³ Correspondingly, our submission focuses on the priority of “ensuring the regulatory framework is fit-for-purpose and promotes competition”. We suggest that the Plan should kick-start payments reform by launching foundational programs (e.g. a National Anti-Scam Code in support of cross-sectorial data sharing to reduce the prevalence of scams and fraud), the transition to more modern infrastructure (e.g. removing legislative barriers), and the single, tiered payments licensing framework (**licensing framework**) based on the same risks, same rules principle (i.e. fit for purpose regulation).

¹ Commonwealth Treasury, 30 August 2021, ‘Review of the Australian Payments System – Final report’, p 51-52 ([link](#)).

² Financial Conduct Authority, 12 December 2022, ‘Regulatory Initiative Grid’, (Web Page) ([link](#)).

³ Ibid p iv.

We note that these foundational legislative/regulatory programs in 2023 are government-led and their completion will provide important clarity for the industry to proceed with follow-up (operational) work programs. In the interim, it would be helpful to include industry activities expected to deliver on these outcomes, to the extent those activities have been decided, are in train, or are required in order to align industry activity with government objectives. To align expectations, AusPayNet offers its assistance through hosting industry roundtables with its broad membership, and – as part of the wider work on the licensing framework in line with the above priority – through its work to become an authorised standard-setting body.

About AusPayNet - Membership and role

AusPayNet is the industry association and self-regulatory body for the Australian payments industry. We manage and develop procedures, policies and standards governing payments in Australia. Our purpose is to enable competition and innovation, promote efficiency, and control and manage risk in the Australian payments ecosystem. AusPayNet currently has over 150 members, including financial institutions, operators of Australia's payment systems, merchants, and financial technology companies.

AusPayNet is currently undertaking a program of work to become an authorised standards-setting body as envisaged in the Review, building on 30 years' experience and expertise in developing industry standards to respond to emerging trends comprehensively and with agility. The list in Appendix 1 shows the range of industry standards in our current 'stack' and shows the controls, rules and frameworks necessary to enable both the efficient running of the payment system and end-user confidence in payments.

Responses to consultation questions

Key Principles

1. What are your views on the proposed key principles? Are there other principles that should be included? Please provide an explanation.

AusPayNet generally supports the proposed principles, noting that they appear reasonable and are broadly comparable with the [desirable characteristics](#) of the Australian payments system described by the Australian Payments Council in 2015 and the principles used in the Review in 2021⁴.

In preparing this submission, AusPayNet consulted with its Members and common feedback is that the Treasury should employ the "same risks, same rules" approach to ensure consistency in regulation and a level playing field for innovation and competition in payments. We understand that the Review recommendations of function-based regulation and licensing are also intended to drive this outcome. For these reasons, we suggest a greater emphasis on competition and choice such that the new principles are:

1. Efficiency
2. Innovation *and competition*
3. Accessibility *and choice*
4. Trustworthiness

⁴ Commonwealth Treasury, 30 August 2021, 'Review of the Australian Payments System – Final report', p 14-16 ([link](#)).

Some members suggested that there is a need to better understand the relationships between the principles. For example, while efficiency is important for continuously optimising the cost and speed of payments processing, the lack of necessary frictions to stop suspicious transfers can erode trustworthiness in the payments system. Depending on the use case, a balance is required between speed, safety and cost. In another example, innovation is critical for expanding the Australian digital economy but a right-sized regulatory regime (including licensing and standards) is needed to uphold trustworthiness in the payment system and support that innovation.

Based on the above, AusPayNet strongly believes that it would be useful to translate these principles into:

- a vision of what the Australian payments system will look like in 3-5 years (and how that differs to today); and
- a set of policy objectives that underpin that vision and determine the resultant initiatives and prioritisation of those initiatives in the strategic plan.

Together, these set the destination for the roadmap and provide strategic direction to improve industry understanding which principles apply and when.

Key Priorities

2. What are your views on the proposed key priorities? Do they provide enough certainty on what the key priorities are for the Government? Are there other matters that should be included? Please provide an explanation.

AusPayNet agrees with the proposed “key priorities” in the sense that they are key policy objectives. We believe there is an opportunity to provide further certainty by (a) selecting key work programs that can be completed within the first review cycle and (b) creating a prioritised list of projects that can be completed by a specific timeframe. This content would ensure that the final Plan has the necessary level of granularity and certainty.

In the first year, we suggest focusing on “ensuring the regulatory framework is fit-for-purpose and promotes competition” as the top priority. We have outlined our view on the key supporting initiatives for this priority – and an approach to their prioritisation and scheduling – in response to the next question.

We also suggest that Treasury consider adding “consumer education” as another key priority in line with Review recommendation 14 and to ensure allocation of resources towards developing targeted payments education programs and assets for consumers (e.g. a memorable and consistent message for scams prevention). We would be happy to collaborate closely with the Treasury in developing supporting initiatives in this area.

AusPayNet supports the proposed inter-agency payments forum to strengthen collaboration and communication. In addition, we suggest clarifying the roles of the regulators and how they are coordinated. This should include defining the lead for each priority initiative to make the necessary day-to-day decisions and have stronger control over project management to meet the stated milestones. AusPayNet suggests following the approach of the UK regulatory grid. This approach would ensure that the plan includes clear priorities and supporting initiatives/actions with milestones, owners, sequencing, incentives and consequence management.

Key Initiatives

3. What are your views on the proposed key supporting initiatives? Are there other initiatives that could be included in the Plan? Please provide an explanation.

We have outlined the critical foundational programs/supporting initiatives for each key priority in the following table. We suggest the “ensuring the regulatory framework is fit-for-purpose and promotes competition” priority as the top priority for 2023, given it underpins the other key priorities. For the regulatory framework to promote competition itself, we note the need to focus on the six particular points in the top row of the table on the next page.

Top Priority in 2023	<p>Ensuring the regulatory framework is fit-for-purpose and promotes competition</p> <p>In introducing a tiered payments licensing framework for payment service providers, the plan needs to be clear on the steps envisaged in the Review (and their milestones) in the following order:</p> <ol style="list-style-type: none"> 1. introducing a list of payment functions requiring regulation (Review recommendation 8) 2. defining common access requirements (Review recommendation 11) 3. implementing the changes to the <i>Payment Systems (Regulation) Act</i> (Review recommendation 6) 4. the licensing framework itself (Review recommendation 9) 5. mandating the ePayments Code for payments licensees (Review recommendation 10) 6. compliance with technical standards set by authorised industry bodies (Recommendation 12). 		
Other Priorities	<p>Promoting a safe and resilient payments system</p> <p>On reducing the prevalence of scams and fraud, numerous members support the development of a cross-industry National Anti-Scam Code using the “same risks, same rules” principle (i.e. a uniform approach to security and resilience standards through regulatory or licensing changes across the scams lifecycle). There is a particular interest in ensuring that the Plan effectively use existing data and enable data sharing in a safe and secure manner while not further compromising the customer proposition. Of the many possible benefits, the three demonstrable ones are:</p> <ul style="list-style-type: none"> ○ an accurate view of the issues at hand through consistent scam data categorisation ○ scams prevention by enabling legitimate cross-industry information sharing ○ scams disruption through prompt cross-industry participation and collaboration <p>This supports the Plan’s proposed action in Attachment B i.e. “share intelligence to disrupt scams and coordinate scam responses, recognising the private sector is the first line of defence against scams.”⁵</p>	<p>Ensuring alignment with the broader digital economy transformation priority</p> <p>On ensuring the payments system is aligned with developments in the broader data ecosystem, we suggest aligning requirements across relevant legislation with the aim of balancing the need for data sharing and minimising data collection:</p> <ul style="list-style-type: none"> ○ <i>Privacy Act 1988</i> (Cth) ○ <i>Security of Critical Infrastructure Act 2018</i> (Cth) ○ <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth) ○ Prudential Standard CPS 230 Operational Risk Management ○ Prudential Standard CPS 234 Information Security ○ Trusted Digital Identity Framework <p>This supports the proposed action in Plan Attachment B i.e. “support Government’s agenda on cyber security including through implementing the requirements under the Security of Critical Infrastructure Act 2018.”⁶</p>	<p>Modernising payments infrastructure</p> <ul style="list-style-type: none"> ▪ Modernising the <i>Cheques Act 1986</i> (Cth) to take into account that cheques no longer operate in a pure paper environment. That is, the <i>Cheques Act</i> should recognise that cheques exist alongside many other electronic forms of payment and recognise that many banking services are delivered using electronic means. This change would provide Federal Government leadership in encouraging State Governments, regulators and industry bodies to similarly modernise their legislation, regulations and rules. ▪ Update other Commonwealth legislation that prescribe outdated payment methods (i.e. the mandated use of cheques) to reflect payment neutrality. ▪ It would be useful for Government to specify milestones for the end of its own use of cheques and (in due course) direct entry, and – to facilitate that – to prepare itself to transition to new methods of payment, such as PayID (Review recommendation 15). <p>This supports the proposed action in Plan Attachment B to “support industry-led efforts to transition away from legacy systems where appropriate.”⁷ On that action, AusPayNet is actively working with industry on managing the customer-led decline in cheques and is also currently consulting industry on the potential to transition away from direct entry.</p>

⁵ Commonwealth Treasury, 14 December 2022, ‘A Strategic Plan for the Payments System – Consultation paper’, p 16 ([link](#)).

⁶ Ibid ([link](#)).

⁷ Ibid p 20. ([link](#)).

AusPayNet welcomes the opportunity to assist Treasury and the RBA in the work required to address points 1-6 above in ensuring the regulatory framework is fit-for-purpose and promotes competition. On point 6, AusPayNet is currently undertaking a program of work to become an authorised standards-setting body. AusPayNet is happy to share its detailed program of work on this topic with Treasury.

4. Do you have any feedback on the proposed approach for any of the initiatives (as outlined in Attachment B)? Please provide an explanation.

AusPayNet broadly supports the proposed approach and actions outlined in Attachment B. We note that many of the key supporting initiatives to ensure a fit-for-purpose regulatory framework we outline above would empower the relevant lead regulator/department to perform the proposed actions for the initiatives. We also suggest that Government specify the likely time of completion and success criteria for each initiative as part of its legislative change program. This would help the lead regulator/department plan their resources and adjust their operations accordingly. Beyond the above, we would be keen to understand the role of industry and how we can help Treasury in getting to the necessary level of detail (e.g. through hosting industry roundtables).

5. What are the key milestones for particular key initiatives that you would like to see included in the Plan? Are there any conflicts between milestones or pressure points that need to be taken into account in revising the roadmap?

AusPayNet suggests completing the foundational programs/supporting initiatives for the “ensuring the regulatory framework is fit-for-purpose and promotes competition” priority within the 2023 calendar year. This would enable Treasury, during the first review of the Plan, to leverage the updated legislation to operationalise changes and ensure compliance. AusPayNet offers its assistance to organise industry roundtables to align expectations on follow-up industry work programs.

Process for Reviewing the Plan

6. What are your views on the proposed review process and engagement arrangements? Please provide an explanation.

Careful consideration should be given to the review cycle. While the Review recommended an annual review of the Plan, there is a balance in terms of time (for Government and industry) to deliver the outcomes. Practically, we note that productivity lessens for the two festive months in December and January and that a few months would be needed to finalise the Plan as well as to conduct the review of the Plan before publication. Therefore, an 18-month deep review cycle may be more feasible and is worth consideration. We also suggest a regular Government and industry forum to identify and address challenges in an agile manner as part of ongoing light reviews.

To deliver the plan, we support the appropriate resourcing of the Government, including regulators, to indicate the importance of the payments reform work. Apart from enhancing Treasury’s payments policy function, it would be useful to set aside funding for collaboration (e.g. enhanced regulatory lead functions, incentives to support innovation etc.).

Conclusion

AusPayNet appreciates the opportunity to respond to the Strategic Plan consultation and to contribute our insights following consultations with the payments industry. We would also welcome the opportunity to further engage with the Treasury on the issues raised in this submission, including assisting to progress the work on the licensing framework. Please contact Ms Siew Lee Seow, Head of Policy ([REDACTED]), if you have further questions.

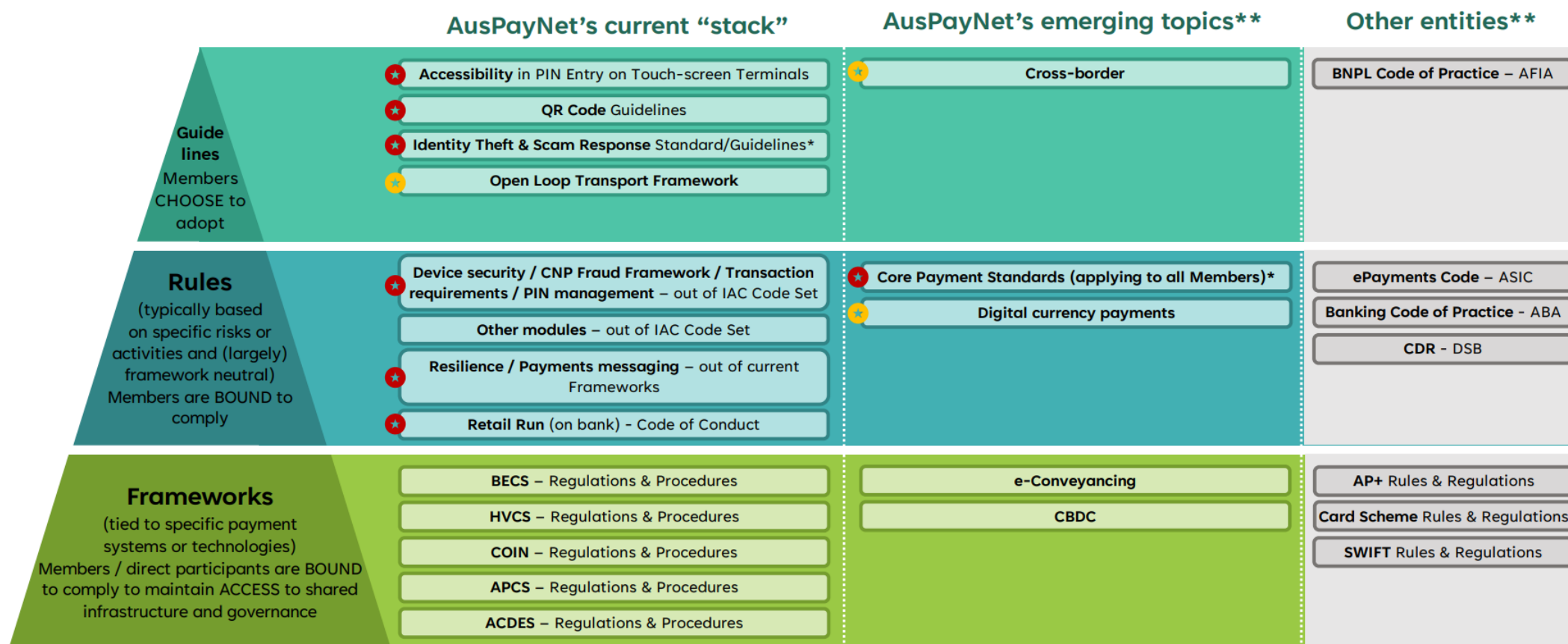
Yours sincerely,



Andy White
Chief Executive Officer
Australian Payments Network

OUR STANDARDS “STACK”

We have identified future standards (★) and potential future standards (☆) from an initial review of our frameworks, rules, guidelines and emerging topics. Our standards would apply to ADIs, payments licence holders and CASSPr licence holders under the “same risk, same rules” principle, regardless of their membership with AusPayNet.



* Including the development of a national scams prevention code ** Not exhaustive