



Director – Payments Strategy and Policy Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

14 February 2023

By email: paymentsconsultation@treasury.gov.au

Dear Director,

Amazon appreciates the opportunity to provide input to the Government's Strategic Plan for the payments system. We commend the Government for taking a consultative approach toward development of a Plan that enables Australians to continue transacting in a safe, secure, and efficient payments environment. We support the Government's approach to taking a holistic and comprehensive view of the evolving payments landscape and seek input from stakeholders to develop a long-term strategy.

Innovation in the payments environment continues to enable growth in the Australian economy for businesses and consumers. As a retailer, Amazon strives to provide our customers with a trusted, intuitive, affordable, and accessible payment experience. We are a merchant and consumer of a range of financial services in Australia and we, and our customers, have benefitted from the evolution of digital payments services. Innovations in payments have made it easier, safer, and cheaper for all types of businesses and consumers — especially small merchants that do not have the resources to build their own payments systems — to transact both domestically and internationally.

We are pleased to contribute a written response to the consultation and to continue to engage in this conversation as the Government further develops its approach. We have set out below our reflections on the key principles and priorities highlighted in the consultation document.

Key Principles

We support the principles of Efficiency, Innovation, Accessibility, and Trustworthiness which the Government has identified to guide its approach in developing the Strategic Plan. We would like to offer the following additional dimensions reflecting the merchant perspective that we believe should be considered as part of the principles:

- We support efforts to expand customer payment choice and promote greater inclusion for merchants, particularly small and medium sized businesses, and customers. We encourage the Government to explore ways to promote the participation of new players in payment system development as an important avenue to enhance innovation, drive adoption, and improve customer experience.
- We encourage the Government to consider ways to ensure payment affordability for merchants and customers, as an element of Accessibility, to reduce obstacles for adoption, particularly for small businesses and low-income citizens. We support the development of clear and simplified regulatory frameworks and guidance that enable meaningful collaboration between players in the ecosystem including, financial institutions, fintechs, and retailers. Industry collaboration can enhance the development of digital financial infrastructure that reduces the cost of providing a



variety of digital payments products and services to enable broad distribution and accelerate the digital payments transformation process.

Key Priorities

Promoting a safe and resilient ecosystem

We are aligned with the suggestion that the payments strategy should focus on reducing the incidence of scams and fraud that adversely impact consumers. Fraud mitigation would be alleviated through the application of improved data and analytics to identify fraud threats, which could in turn increase payment success rates for merchants. We encourage the Government to be transparent about its expectations regarding the roles and responsibilities of various players in the public and private sectors in reducing scams. We encourage the Treasury to continue to take a broad payments ecosystem approach to consultation initiatives that enables strong and active collaboration between merchants, traditional and new financial service providers, and regulators. This will build a trusted environment where security and privacy are maintained and there is a clear understanding of each players' roles and responsibilities. This includes aligning on industry best practices and working collaboratively to establish evidence-based regulatory frameworks related to, for example, data privacy and protection, and cybersecurity.

Ensuring the regulatory framework is fit-for-purpose and promotes competition

We believe that payments plays an integral role in facilitating the growth and advancement of the Australia digital economy, and in deepening access to new economic opportunities for Australian citizens and businesses. Amazon supports efforts to ensure the regulatory framework promotes competition and innovation, while maintaining a level playing field that allows payments systems to benefit from a wide range of service providers. As we continue to see the emergence of new digital financial products and services, and new industry entrants, it will be important for businesses and financial authorities to continue to work together to build the appropriate regulatory perimeter to safeguard customer trust and maintain confidence in digital transactions. In this spirit, we urge the Government to consider addressing the high costs and operational burdens associated with certain payment methods and their impact on digital adoption across the economy. Hence, as part of its effort to establish a new payments licensing framework, the Government should ensure that payments activities are regulated on a risk-basis, i.e., that the same risks are subject to the same regulations, and that all other industry-based requirements are consistent with the Government's regulations.

We encourage the Government to approach changes to the payments regulatory framework from a technology neutral perspective. Focus on an outcomes-based approach, rather than technology-specific legislation or regulation, will help ensure that new rules do not inadvertently favor, prescribe, or constrain specific types of payment services. Amazon supports an approach that centers on objective, concrete, and measurable outcomes to enable companies to comply with regulatory requirements while also preserving sufficient space for innovation.

Ensuring alignment with the broader digital economy transformation

As a retailer, we are strongly supportive of the Government encouraging the adoption of Least Cost Routing (LCR) for both online and offline implementation and encourage the Treasury and Reserve Bank of Australia (RBA) to work together to develop a clear and consistent framework that reflects various retail use cases.

We also support the Government's focus on collaboration between payments regulators to develop clarity on roles and responsibilities and to provide transparent guidelines for participating in industry consultations. We also encourage the Government to consider establishing a grace period to facilitate absorption of proposed changes by industry and sufficient time for implementation.

Modernizing payments infrastructure

We support the Government's promotion of interoperability and agree that it is key to spurring coordinated industry development in payments and domestic and cross-border financial connections. As the payments industry continues to grow, complexity in how systems interact will continue to increase. The interoperability of different payment networks could facilitate adoption of digital payments and reduce cross-border transaction costs in digital trade thereby improving convenience for consumers. There are four key aspects of interoperability to be considered:

- From a business perspective: interoperability for digital transactions would enable digital payment methods to interact with various types of payment systems (potentially including systems of a foreign country) to offer end-users a resilient digital payment infrastructure and efficient payment instruments that are open, standards-based, universally accessible, affordable, and secure.
- From a technical perspective: interoperability means that digital payments systems leverage common messaging formats, protocols and/or identifiers which enable seamless payment transfers across all types of local and international payment methods. In this respect, we urge the Government to encourage the adoption of internationally recognized standards to facilitate inter-connectivity and interoperability by setting out specifications and procedures to ensure consistent implementation of processes, technologies, and methods. Compliance with appropriate technical and regulatory standards, for example on data messaging formats, Application Programming Interfaces (APIs) and anti-money laundering (AML) protocols. As new payments technologies emerge, messaging standards that are compatible, for instance ISO 20022, will be important for new payment method integration with existing payment systems, including stablecoins and blockchain-based payments infrastructure. This is applicable for both domestic and cross-border payment transactions.
- From a legal, regulatory and policy perspective: interoperability means establishing and enforcing a common, binding framework for payment service and infrastructure providers to follow. Aligned frameworks consistently define the scope of interoperability, particularly with regard to requirements such as privacy and data protection.
- From a legacy perspective: interoperability in terms of compatibility of new payments systems with legacy systems is important as there will be a transition period during which new systems will need to interact with the existing financial infrastructure.

Conclusion

We appreciate the opportunity to provide comments as the Government continues to develop its Strategic Plan. We welcome opportunities to engage the Government in dialogue to discuss the perspectives shared in this submission.

Yours faithfully,



Amira Karim

APAC Public Policy Lead - Payments

