



## **Submission to Treasury**

# **A Strategic Plan for the Payments System – Consultation paper**

*This Submission Paper was prepared by FinTech Australia working with and on behalf of its 400+ Members*



## About this Submission

This document was created by FinTech Australia in consultation with its members.

In developing this Submission, interested members participated in roundtables to discuss key issues and provided feedback to inform our response to the consultation paper.

We also particularly acknowledge the support and contribution of **Hamilton Locke** to the topics explored in this submission.

## About FinTech Australia

FinTech Australia is the peak industry body for the Australian fintech sector, representing over 400 fintech companies and startups across Australia. As part of this, we represent a range of businesses in the payments space, which is one of the largest and fastest growing sectors in Australia's fintech ecosystem, as well as fintechs spanning crypto and blockchain, consumer and SME lending, wealthtech and neobanking, and the consumer data right.

Our vision is to make Australia one of the world's leading markets for fintech innovation and investment. This submission has been compiled by FinTech Australia and its members in an effort to drive cultural, policy and regulatory change toward realising this vision.

FinTech Australia would like to recognise the support of our Policy Partners, who assist in the development of our submissions:

- Hamilton Locke
- Cornwalls
- DLA Piper
- Gadens
- King & Wood Mallesons
- K&L Gates



## 1. Executive Summary and Key Recommendations

Thank you for the opportunity to respond to the Consultation Paper (**Consultation Paper**) relating to the proposed Strategic Plan for the Payments Systems (**Plan**).

FinTech Australia welcomes the proposal to establish a strategic plan for the payments system. Our members hope this is the first step in a more urgent approach by Government towards much needed and long-awaited reforms to the payments system.

As Dr Scott Farrell noted in his 2021 Review of the Payments System (Farrell Report), it has been more than twenty years since Australia has seen meaningful updates to its regulatory architecture for payments. Over the last decade, fintech has emerged as a driver of innovation, competition and lower costs in payments. However, its emergence has also exposed the limitations of legacy infrastructure and a regulatory framework which was designed for a different time.

Payments providers are undoubtedly the largest fintech segment, with our 2022 EY FinTech Australia Census finding that 38% of Australian fintechs are in payments. However, the payments system touches every fintech – be it a wealthtech, insurtech, lender, digital currency exchange or Consumer Data Right intermediary – and, therefore, a modern, fit-for-purpose payments system is essential to the continued success of financial innovation in Australia.

Without a clear strategic direction and plan for reform, Australia will fall behind other countries who have modernised their regulatory frameworks. There is a risk that fast-growing fintechs, both home-grown and international, will look elsewhere to jurisdictions that support innovation and provide regulatory certainty.

FinTech Australia believes the Plan can provide a blueprint for the Government to take a stronger, more coordinated leadership role on payments and Australia to position itself as a global leader in financial innovation.

Although we support the broad principles, priorities and initiatives proposed, FinTech Australia urges the Government to provide a more ambitious, innovation focused Plan which can turbocharge the next decade of fintech growth.

In drafting this submission, we consulted extensively with our members. We look forward to the final Plan and continuing to consult with Treasury on the future of payments in Australia.



## Key recommendations

FinTech Australia makes the following key recommendations, which are detailed throughout this Submission, to assist Treasury in developing and finalising the Plan:

1. **Adopt a more ambitious approach to the innovation principle and connect it to the Government's broader policy objectives** in relation to creating tech jobs and developing Australia as a global leader in financial technology.

2. **Prioritise and accelerate progress towards a new, tiered licensing regime** and associated regulatory changes. For our members this is the most significant initiative outlined in the Consultation Paper and should be progressed urgently, with clear timelines for next steps and a roadmap for its implementation.

Though this is a clear priority, our members view the licensing regime as a first step only. An effective licensing regime should clearly describe the responsibilities as well as the entitlements of each tier of the licensing framework.

3. **Implement the Payments Industry Convenor recommendation** from the Farrell Report. This body should have broad representation, facilitate ongoing consultation on progress and priorities and keep Treasury and the Government accountable to published timelines.

4. **Frame the accessibility principle more clearly around access to payments infrastructure**, the limitations of current arrangements and highlight the accessibility challenges innovative payments providers currently face.

5. **Add the new key principles of 'objectivity' and 'transparency'.**

6. **Address the issue of de-banking by including it as a key priority** which affects the accessibility of the payments system.

7. **Order key priorities by strategic importance** and provide certainty that **'ensuring the regulatory framework is fit-for-purpose and promotes competition' is the foremost priority.**



8. **Clarify what is meant by ‘making it easier’** for payment service providers to get access to payments infrastructure’ and call out the key issues and actions required to facilitate common access for innovative payments providers.

9. **Include clear, detailed timelines linked to key milestones and deliverables** in the final Plan’s roadmap. There is no accountability or transparency without timelines and regular updates on the progress of each initiative

10. **Ensure broader policy development around crypto, CBDCs and stablecoins does not delay long-awaited reforms** for the payments providers who handle the vast majority of payments in Australia. We acknowledge the likelihood of eventual alignment of relevant regulatory frameworks, but progress should not stall.

11. **Clarify the future roles and responsibilities of the various payments regulators** and specifically **include a competition and innovation objective in their mandates**. We also support formal mechanisms to improve coordination and Treasury continuing to take a leadership role.

12. **Address the role the Government will play** in regulating, intervening in and setting the future direction of critical payments infrastructure. We support the Government taking a more active leadership role.

13. **Provide more detail on ensuring alignment and policy coordination between the payments system and the rapidly expanding Consumer Data Right (CDR)**. The addition of CDR ‘payment initiation’ will be an important juncture for the success of both the CDR and the New Payments Platform (**NPP**) – meaningful collaboration between policy makers and stakeholders in each ecosystem will be critical.

14. **Re-review the ePayments Code** by an industry working group before making it mandatory. The most recent ASIC-conducted review was consulted on primarily by large incumbents already subject to the Code. It must be fit-for-purpose before it is expanded to smaller payments providers.

15. **Provide more detail on the Government’s expectations about the role the payments industry should play in relation to scams** and fraud prevention. We also support establishing formal scam information sharing and coordination forums for smaller payments providers.



16. **Review the G20 National Remittance Plan** with a view to establishing new, up-to-date objectives for reducing costs, increasing competition and enhancing consumer outcomes.

17. **Consult broadly and inclusively when reviewing the Plan** and seek regular feedback on its progress. The payments system touches every financial services business, large or small, and we encourage Treasury to replicate the proactive and consultative approach taken during this consultation process.

## 2. Key principles

### **What are your views on the proposed key principles? Are there other principles that should be included?**

We support the proposed key principles of trustworthiness, accessibility, innovation and efficiency but we make the following comments:

#### ***Trustworthiness***

Reliability is key to establishing a trustworthy payments system. A payment system cannot be trustworthy if it is not reliable. Reliability is critical for businesses given the impacts that system outages or terminal failures can have on their ability to serve consumers.

Our members are encouraged by the fact Treasury has incorporated the Bank of International Settlements (**BIS**) Core Principles for Systemically Important Payment Systems into the Plan, however more emphasis needs to be placed on the reliability of our payment systems. We need to make sure reliability is specifically called out for strategically important systems to ensure there is adequate backup of all hardware, software and network facilities. We believe that it may be more appropriate that this principle should delve further into reliability as outlined or an additional separate principle of 'Reliability' be added.

#### ***Efficiency***

The Consultation Paper describes an efficient payments system as one which promotes competition and enables fast transfer of funds, where payments are processed in a seamless manner with minimal friction. The efficiency principle could also extend to address practical



issues faced by consumers and businesses being onboarded by payments providers and support a broad uplift in these areas of inefficiency. For example, practical inefficiencies often arise in relation to paper-based sign-ups and processing and a general reluctance by larger incumbents to take a technology neutral approach.

We are also of the view that this principle should underpin the approach to creating, maintaining and enforcing regulation. Echoing what the RBA refers to as allocative and dynamic efficiency, regulation in this space should ensure resources are being allocated in the most efficient way across the payments systems as a whole with scope for this allocation and supporting processes and products to adjust over time.

## ***Innovation***

The Consultation Paper describes an innovative payments system in aspirational terms, focusing on attributes which enhance a user's payment experience. In our view, going bolder on the innovation principle presents a great opportunity for the Plan to articulate how an innovative payments system can help achieve the Government's more broader industry objectives. For example, the Government committed in August 2022 to create 1.2 million tech jobs in Australia by 2030 and the fintech and payments industry is absolutely critical for this sector. Fintech Australia, in our recently published EY Fintech Australia Census, noted that 85% of fintechs in Australia are facing difficulty finding and retaining staff – with the payments sector representing the largest number of fintechs.

In recognition of this, the Strategic Plan should reflect the Government's broader tech ambitions and extrapolate on how a strong, competitive and innovative payment system is pivotal in realising these ambitions. By way of example, consider the 'Smart Financial Centre' stance adopted by the Monetary Authority of Singapore (MAS), Singapore's central bank and key financial regulator. MAS has the explicit mission 'to develop Singapore as an international financial centre'. This objective has helped drive the organisation's focus on promoting innovation and positioning Singapore as a global financial hub.

Further, we suggest this principle should permeate more broadly through the regulatory framework and regulatory solutions should be designed to support innovation and growth. For example, we understand the Government intends to introduce a tiered payments licensing framework based on 'a list of payment functions'. While it is encouraging that this tiered licensing framework is not focused on the monetary value of transactions, we are concerned



this approach may cause providers to limit functionality, stifling competition and inhibiting solutions that are end-user driven.

In our view, an innovative tiered approach to regulation should be based on the:

- purpose of the facility -e.g., will it process instant payments, provide escrow services, process recurring payments or facilitate stored-value for later use;
- nature of the transaction – e.g., does the transaction involve the purchase of physical goods in-store or online, the purchase of digital products, or the purchase of regulated products or crypto assets etc.; and
- timeframe – e.g., is the service once-off, recurring or does it have an expiration date.

Similarly, we support reconsideration of the role regulatory sandboxes play for new entrants, particularly how it can support them to test their payment innovations in a live environment. We note the existing ASIC Enhanced Regulatory Sandbox is soon to be reviewed and suggest emphasising how this initiative could be reframed to better support innovation in payments, as well as how it could encompass the forthcoming payments licensing regime.

## ***Accessibility***

Our members are in strong support of ‘accessibility’ as a key principle, in particular the emphasis it places on removing barriers to entry, including through streamlined, fit-for-purpose regulation, and encouraging innovation by payments service providers. Giving consumers and businesses greater choice and lowering costs is core to many of our members’ value proposition as fintechs.

For fintechs, the current restrictions on accessing the payments system without working with an ADI limits innovation, favours incumbents and increases costs. The level of innovation by fintech payments providers is currently limited by the banks’ risk appetite. The payments infrastructure is controlled by the large incumbents who are competing with these fintechs and, as a result, access to payments infrastructure has not been prioritised. Through this Plan, FinTech Australia strongly encourages the Government to take a more active leadership role in how this critical infrastructure is governed, regulated and developed.

While banks have the advantage of being ADIs with an RBA exchange settlement account, fintechs in the payments sector will continue to play an essential supportive role for the major





banks. It is the fintechs that will continue to improve efficiency in payments to the benefit of Australian consumers, merchants and businesses generally and push innovation into the local and global markets.

Our members have also experienced significant issues with access to payment systems as a result of de-banking. Despite recent work by the Council of Financial Regulators (**CFR**) to formulate a policy response, de-banking remains a considerable issue that affects companies across different fintech verticals, including payments, remittance and digital currency exchanges. It often happens suddenly and without notice. While this CFR work is ongoing, we recommend specifically raising this pervasive issue in the Plan as a key priority and connecting it to the accessibility of the payments system.

This issue also highlights the need for explicit coordination between regulators with AUSTRAC playing a key role and, in future, the regulator responsible for the payments license in reducing the instances of de-banking or restrictions on access to the payments system.

## **Additional principles**

Furthermore, our members are of the view that objectivity and transparency should also be included as key principles or given greater emphasis under the existing principles.

### ***Objectivity***

Participants in the payments system should be able to interact with and operate in a payments system that is fair and objective. Importantly, it should be a system that does not favour the incumbents who control the infrastructure and have an incentive to maintain the status quo. We understand the accessibility principle attempts to address these issues in the Plan, but clearly stating in the Plan there is an intent to establish an objective payment system will:

1. Create space for further innovation to be fairly considered and not subjected to pre-existing opinions and biases based on what already exists;
2. Ensure fintechs and similar innovators will have an objective assessment for access to the industry; and
3. Ensure new business models are viewed objectively and fairly.



## ***Transparency***

Promoting transparency within the payments systems helps inform future decision-making leading payment participants to make better business choices, reducing friction when it comes to expansion, scale-up, and customer satisfaction.

We believe the payments system should be transparent, particularly in relation to pricing structures for both consumers and business as this promotes competition and will empower switching to more innovative, lower cost payment products and services.

## **3. Key Priorities**

**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?**

We support the proposed key priorities of:

- 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
- Modernising payments infrastructure

Our members have suggested these priorities should be listed in order and Treasury be clearer as to the strategic importance of each priority. Specifically, we encourage Treasury to provide certainty that '*ensuring the regulatory framework is fit-for-purpose and promotes competition*' is the foremost priority. This priority underpins the most urgent reforms needed to modernise Australia's payments system. While the other priorities are important, they have a longer-term, ongoing focus or are ancillary to the immediate goal of ensuring the regulatory framework is fit for purpose. However, placing the priorities in order does not mean each priority cannot be worked on concurrently.



We also note this ‘competition’ priority refers to ‘making it easier for payment service providers to get access to payments infrastructure’. In our view, Treasury should be clear as to what ‘easier’ means because this is a very broad and generic term. Currently when access issues are discussed this is in the context of unfair, discriminatory practices or services not being provided at a reasonable cost. The key priorities of the Plan should specifically call out how these issues are being addressed and the next steps to make it ‘easier’ for payment service providers to get access to payments infrastructure. For example, clarity could be provided on the RBA’s common access requirements and how these could form part of the licensing framework for payment service providers seeking direct access to payment systems.

In terms of the priority around ensuring alignment with the broader digital economy transformation, our members are of the view that payments regulation reforms should not be delayed by issues or broader development of policy relating to cryptocurrency, central bank digital currencies or stablecoins. Indeed, a well-designed and regulated payments system should be flexible enough to fold in new technologies and initiatives like these. The priority for a payment industry reform should be to focus on how the vast majority of payments are made in Australia, and whilst forethought is needed into ensuring the system is flexible and innovative, there is no need to design the system around currently unregulated, nascent industries. The Consultation Paper proposes that the Minister will have the ability to designate payments systems in the future, and this would be sufficient to cover any future regulated products (including those involving digital assets – which are currently subject to their own consultations).

The Consultation Paper discusses regulatory efficiency, licensing and coordinating agencies. While we appreciate the focus on regulatory efficiency, it’s important to also consider regulatory reform addressing the existing multitude of regulators we have and their remits. This was evident in the CFR’s Final Report into the Regulation of Stored-Value Facilities in Australia, published in October 2019, where under the proposed conclusions, APRA, ASIC and the RBA would maintain a similar level of regulatory authority over the sector as they already had, instead of seeking to simplify the regulatory framework in this respect. In our view regulatory efficiency includes removal of any duplication between the regulators themselves and the licensing framework and this should be reflected in the Plan.

We suggest clearly describing the role of each payments regulator in the Plan, identifying the overlap between each of these regulators and include timelines in order to streamline the regulatory oversight and licensing framework that will underpin the payments system.



It is also currently unclear what role and level of ownership the Government will adopt when it comes to modernising payments infrastructure. Historically, infrastructure has been funded, developed and operated by industry, particularly incumbents like the banks e.g. the New Payments Platform. This incumbent led approach to modernising infrastructure maintains the status quo and creates significant barriers to entry and stifles competition and innovation. FinTech Australia recommends the Plan address what role the Government will play in regulating and intervening in this critical national infrastructure.

We make the following observations in relation to the key priorities:

- A regulatory framework which is fit-for-purpose and promotes competition needs to support and encourage innovation (therefore aligning with the key principles of the Plan) and be technology agnostic. We need to clearly define who the payments regulators are (or will be, if this is reviewed as urged by our members) and how they will work in collaboration. For example, dedicated 'payments' channels or central contact points between the regulators should be set up and each regulator should have an understanding of each other's mandate. In addition, our members recommend that APRA, ASIC and the RBA's mandates specifically include a competition and innovation objective. Otherwise, competition is constrained by existing structures that heavily favour incumbents and those who have the capital and means to significantly invest in payments infrastructure, like the NPP.
- Many of the key priorities and supporting initiatives will involve significant amounts of work for, and require a multidisciplinary approach by, market participants.
- The Plan must (the current language used is 'can') outline key initiatives and milestones for these objectives including changes to the PSRA and the introduction of a new, tiered payments licensing framework for payment service providers.
- The Plan should address the interoperability with the existing regulatory regimes that both fintechs and other traditional payment providers are already subject to (e.g. the interaction between the new payments licensing system and the existing Australian financial services licensing regime or Australian credit licensing regime).



## 4. Key Initiatives

### **What are your views on the proposed key supporting initiatives? Are there other initiatives that could be included in the Plan?**

Our members are of the view that the proposed key supporting initiatives read more like outcomes, which is problematic when it comes to quantifying or measuring the success of such initiatives. For example, one of the proposed key supporting initiatives revolves around ‘strengthening defences against cyber attacks’ but no specific actions or detail has been provided as to what this initiative involves. Initiatives require actions and it is not clear from the Consultation Paper what those are in order to achieve the outcomes described in each ‘initiative’.

We note the Consultation Paper refers to supporting and endorsing an inter-agency forum but it is unclear as to what mandate or membership this forum will take. We presume that the inclusion of this forum is in reference to the Farrell Report recommendation, but further information is required here as to the intent, membership and remit. Additionally, we note the Farrell Report specifically mentions a ‘one stop shop’ of regulatory oversight belonging to ASIC. Our members consider the ‘one stop shop’ approach to payments regulation to be a supporting initiative for ensuring the regulatory framework is fit-for-purpose, promotes competition and simplifies the operation of our regulatory framework.

#### ***Alignment with the Consumer Data Right***

In addition, we note that ensuring the payment system is aligned with developments in the broader data ecosystem such as integration with the consumer data right (CDR) is a key supporting initiative of the priority ‘alignment with the broader digital economy transformation’. Our members strongly recommend that interactions between the payments license framework and future CDR action initiation ‘accreditation’ should be carefully considered to avoid unnecessary duplication and to ensure streamlined porting of audit assessments and accreditations. While we note some activities and functions will remain unique, without greater coordination and alignment there is a risk of unnecessary complexity and duplication in the payments ecosystem (e.g. payments service providers engaging with both ASIC for a payments licence and the ACCC for CDR accreditation).



Payments infrastructure will play an important role as the ‘action layer’ for payments when CDR action initiation is rolled out. However, some members are concerned the Consultation Paper reads as though Treasury is trying to accommodate expanded CDR functionality through payments system reforms. Members also remain concerned about how CDR payment initiation will interact with the NPP and PayTo. Although members understand these can be complementary in the long-term, there are concerns about duplication of key use cases and inconsistent consent flows which might inhibit uptake in the short-term.

PayTo is still nascent and many use cases will not be understood until it is more widely embedded and operational across ADIs. However, it is likely there will be overlap and duplication across many use cases. PayTo already allows for similar payment initiation functionality and covers similar use cases (e.g. making fast payments and moving funds between institutions). Although CDR payment initiation is intended to be payment system agnostic, the NPP will be the only suitable rails in the near term. Consideration should be given to how CDR action initiation can augment and boost consumer engagement with the existing NPP infrastructure.

To facilitate alignment, we encourage more formal collaboration between the payments and CDR policy divisions at Treasury and their relevant counterparts at ASIC and the ACCC/DSB. Specifically, we anticipate consultations on payments licensing and action initiator accreditation could progress simultaneously later this year and support coordination and alignment in these processes.

## ***Least cost routing***

In regard to the initiative ‘reduce small business transaction costs, by supporting the availability of least-cost routing’ our members note that when actioning this initiative it is critical the Government, Treasury, and regulators be as objective as possible, including adopting a tech and product agnostic approach. Currently the RBA mandates least cost routing for in-person payments made using physical cards. This needs to be extended to smartphone-based mobile wallet transactions and other new payment methods such as the use of QR codes which could emerge to compete with card payments. This would effectively increase competition and put downward pressure on payment processing costs.



## ***Defining payments functions and introducing a tiered payments licensing regime***

Our members are keen for the forthcoming consultations on defining payment functions and a tiered licensing framework to progress as a priority. These consultation processes should not wait or be delayed while the Plan is finalised. Payment Service Providers, particularly those providing Stored Value Facilities, have waited years to see these important reforms progress. A lack of regulatory clarity is stifling innovation and growth among these payments fintech companies. Ultimately, this inhibits competition and means consumers and businesses pay more.

Our members noted, however, that the licensing regime is only a first step. For it to be effective and support payments innovation, the licensing regime should clearly describe the responsibilities and also the entitlements, including access, of each tier of the licensing framework. Any new obligations should have clear policy objectives and the associated costs must be weighed against the benefits. We raise Canada as an example where a licensing regime was enacted for payment service providers, but no benefit has been offered to the license holders proportionate to the additional regulation and costs.

Our members also seek clarity on what will become of the current licenses they hold for the purposes of operating in the payments space when the new regime is introduced.

## ***Facilitating access***

Access to the payments system is a longstanding issue which has favoured incumbents and limited competition. Our members hope the proposed payments licensing framework will provide fairer and more transparent access and a pathway between payment facilitators, SVFs and ADIs. We are in strong support of this initiative and look forward to further consultation on promoting competition by facilitating access to the payments system.

## ***Other initiatives***

In terms of other initiatives that could be included in the Plan, we reiterate the other recommendations and focus areas in the Farrell Report. Given the change in Government, we had hoped to see reconsideration of the recommendations from the Farrell Report and their adoption as part of the Plan.



For example, out of the 15 recommendations in the Farrell Report, the following recommendation have either been omitted entirely or absorbed with other priorities in the Plan:

- Recommendation 4 – Enhance Treasury’s payments policy function
- Recommendation 5 – Establish a payments industry convenor
- Recommendation 7 – Introduce a Ministerial designation power
- Recommendation 12 – Align industry standards
- Recommendation 13 – Better align regulator approaches and regulatory requirements
- Recommendation 14 – Educating consumers and businesses
- Recommendation 15 – Leverage the position of government as a large customer of the payments ecosystem to support broader objectives

In particular, our members would like to draw attention to Recommendation 5 on establishing a ‘Payment Industry Convenor’.

### ***Establishing a Payment Industry Convenor***

We support the broad objective for the Plan to provide leadership to the payments industry and regulators in shaping the future direction of the payments system and creating a new fit-for-purpose regulatory framework. However, to meet this objective, a mechanism is needed to ensure the Government is held accountable for progress under the plan and feedback from across the payments sector is heard. This is why it is necessary to establish a Payment Industry Convenor.

We note that in the former Government’s response to the Farrell Report, this recommendation was not accepted on the basis that if Treasury develops greater payments expertise, there is no need for a convenor. Our members urge Treasury to reconsider this recommendation and update the Plan to include establishing a Payment Industry Convenor.

We recommend the ‘Payment Industry Convenor’ be a body made up of representation from the regulators, incumbents, fintech industry stakeholders, consumers and businesses. It would serve as a facilitator for enhancing and supporting Treasury’s policy function and ensuring advice to Government is representative and well-informed. Additionally, it would be able to





provide public transparency around decisions and discussions on the future of payments, particularly if there will be multiple regulators responsible for various elements of the payments industry. If Treasury instead only relies on an inter-agency approach to regulation, there is a risk that insufficient attention is given to industry participants and stakeholders and a lack of transparency.

The Convenor would also play an important role in ensuring public accountability against the roadmap and timeframes for the actions and milestones set out in the Plan. Government and industry must work collaboratively and have a clear mandate to deliver on those actions. A Convenor mechanism would ensure accountability and transparency as the Plan is delivered. It will also be an effective and more formal platform for reviewing the Plan and facilitating engagement across industry particularly for innovative non-incumbents wanting to be directly involved in decision-making and setting the future strategic direction of the payments system.

The Convenor body should set a publicly available charter to describe the function and purpose of the body and provide reasonable and accessible channels for engagement with the industry. Each formal meeting should also be reported via public minutes or similar.

## **Do you have any feedback on the proposed approach for any of the initiatives (as outlined in Attachment B)?**

### ***Mandating the ePayments Code***

Our members note that one of the proposed approaches for the supporting initiatives relates to using the ePayments Code as a mandatory tool. Our members consider it would be useful for the ePayments Code to be re-reviewed by an industry working group. This is appropriate because the most recent review that was conducted by ASIC and consulted on primarily by large incumbents who were already complying with the code. In its current form, our members question the suitability of the ePayments Code as a mandatory tool, given the diverse range of current payment participants, and do not believe that it is fit-for-purpose to govern such a large and intricate system. We also note in the most recent review of the ePayments Code, ASIC removed references to 'small businesses'. If Treasury proposes to mandate the code, this reference will need to be reinstated. Members also supported Treasury, rather than ASIC leading on any further review of the ePayments Code.



## ***Reducing scams and fraud***

Our members note that one of the key priorities is reducing prevalence of scams and fraud and are concerned that it may place additional obligations on payment providers that are disproportionate to their responsibility. Scam and fraud prevention is already a high priority for payments providers and they are keen to support scam information sharing and coordination initiatives. We recommend establishing forums or formal mechanisms to facilitate this as part of the Government's broader agenda to combat scams.

In relation to scams, Treasury should include a specific list of what is being targeted and the role that the payments industry plays. There is a delicate balance that must be struck between protecting consumers from scams and making payments simple, seamless and efficient. Our members believe that when preventing scams and fraud, there is a limited role that payments service providers can play, and it must be part of a much broader range of measures, involving social media companies, telecommunication companies, ADIs and other directly responsible industries. Payments providers cannot be held to a higher standard than these other equally responsible parties. In the context of scams, we also encourage careful consideration of how the references in the ePayments Code to 'unauthorised transactions', and any related obligations, will apply to smaller fintech payments providers.

## ***Enhancing cross-border payments***

Members note that the desire to enhance cross border payments is encouraging but consider a full review of the G20 National Remittance Plan is necessary given many of its specific action items are failed or out of date. A review of this plan should be accompanied by clear objectives in terms of reducing costs, increasing competition and enhancing consumer outcomes.

**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?**

FinTech Australia recommends including clear, detailed timelines linked to milestones in the final Plan. Presently, the Consultation Paper only notes two broad stroke timelines for initiatives. There is no accountability or transparency without clear timelines and regular updates on the progress of each initiative and each proposed outcome.



We strongly support inclusion of a roadmap but would like to see more detail about each of the priorities and clarity on the timeframes for relevant deliverables. Again, for our members the most significant initiative is the introduction of a new, tiered licensing regime and associated regulatory changes. As this will involve multiple phases of consultation and be subject to the Government's broader legislative priorities, clear timeframes are required to provide certainty to those likely to be subject to the new regime.

When revising the roadmap, we urge Treasury to consider the diversity of participants in the payment sector and ensure clear indicative timeframes for long term milestones and outcomes are incorporated into the Plan. This will enable fintechs and other smaller participants, who do not have the same systems and funding in place as large incumbents, to budget the time and resources required to anticipate and address relevant regulatory changes.

## 5. Process for reviewing the Plan

### **What are your views on the proposed review process and engagement arrangements?**

We agree with the proposed timelines and review process. As reforms progress and the Government's focus changes over time, it will be important to update the Plan and extend the roadmap.

We greatly appreciate the proactive and consultative approach the payments team at Treasury has taken when consulting on the proposed Plan. We encourage Treasury to replicate this approach by working closely with industry organisations, like FinTech Australia, and capturing a broad cross-section of fintechs engaging with the payments system. The payments system touches every financial services business, large or small, and the review process will provide an opportunity to consult broadly.

As outlined earlier in detail, FinTech Australia recommends adopting the recommendation from the Farrell Report to establish a payments industry convenor. This mechanism will help progress implementation of the key initiatives and facilitate ongoing consultation. It will also be an effective and more formal platform for reviewing the Plan and facilitating engagement across industry.