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The Treasury
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Google's response to Treasury consultation on the Strategic Plan for the Payments System

Google welcomes the Government's development of an inaugural Strategic Plan for the Payments System in collaboration with industry, regulators and consumers. This is an opportunity to set out a clear and well developed strategy underpinning the Government's reform agenda and to establish a fit-for-purpose payments regulatory framework.

We support the Government's commitment to taking on an enhanced leadership role in the payments system. Payments is a complex and dynamic sector where coordination and coherence are essential in ensuring that consumers and businesses get the full benefit of competition and innovation within the ecosystem.

For our part we have constructively engaged with the Parliamentary Joint Committee on Corporations and Financial Services in their inquiry on digital wallets, the Farrell Review and subsequent Treasury consultation. We are also an operating member of Auspaynet and engage in various working groups relating to the payments industry.

We look forward to the opportunity to continue work with Government, regulators and our partners in Australia and globally in this important area.

Strategic Plan - Key Principles and Priorities

Google is broadly supportive of the Key Principles and Priorities identified in the Consultation Paper, and in particular, is supportive of the inclusion of "Innovation" as one of the key and guiding principles that underpins the Strategic Plan. We have identified two areas for improvement.

First, we believe that in order to foster innovation and create an agile and forward-looking payment system, it is also important to recognise and consider the impact regulation itself may have on innovation and ensure that any proposed regulation is appropriately risk-based, proportionate and recognises the differing roles or functions played by the different participants in the payments ecosystem (even those that may appear to provide a similar product or service). This approach is in line with the principles set out in the Australian Government's 'Guide to Regulatory Impact Analysis' produced by the Office of Impact Analysis in the Department of Prime Minister and Cabinet.

In the context of Google Pay, for example, the role of “Digital Wallets” within the payment ecosystem and assessing the need for regulation, it is important to distinguish between:

- Google Pay’s role as a “technology provider” that does not itself handle user funds or store value, and that of the payment provider who partners with Google and is regulated under existing regulatory framework; and
- Google Pay’s position as one potential technological solution available for users of Android Devices to facilitate a digital payment via their Android device, due to our open NFC architecture.

To ensure that the Department of the Treasury achieves its stated aims, we suggest amending the supporting initiatives to require or to recognise that the Strategic Plan promotes competition and innovation by adopting a “risk based and proportionate approach” to regulation.

Second, while the Strategic Plan identifies four Key Priorities and a number of supporting initiatives, it is unclear as to the proposed order of those priorities. Many of the supporting initiatives also seem to be dependent on or flow from any proposed changes to the *Payment Systems (Regulation) Act 1998* (PSRA) and *Payments Licensing Regime*. We suggest amending the proposed framework to identify the proposed timing and order of each priority, and to first prioritise changes to the PSRA and Licensing Framework given its likely impact on other key initiatives.

Strategic Plan - consultation process and timeframes

Google welcomes the Treasury’s proposed collaborative approach to reviewing the framework. We are conscious that the plan covers a broad range of many complex and multifaceted areas and recommend an 18 month review cycle of the plan.

We thank the Treasury for the opportunity to review and comment on the Strategic Plan and roadmap and look forward to continuing to work with the Government to achieve its stated policy objectives.

Warm regards,



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Government Affairs and Public Policy

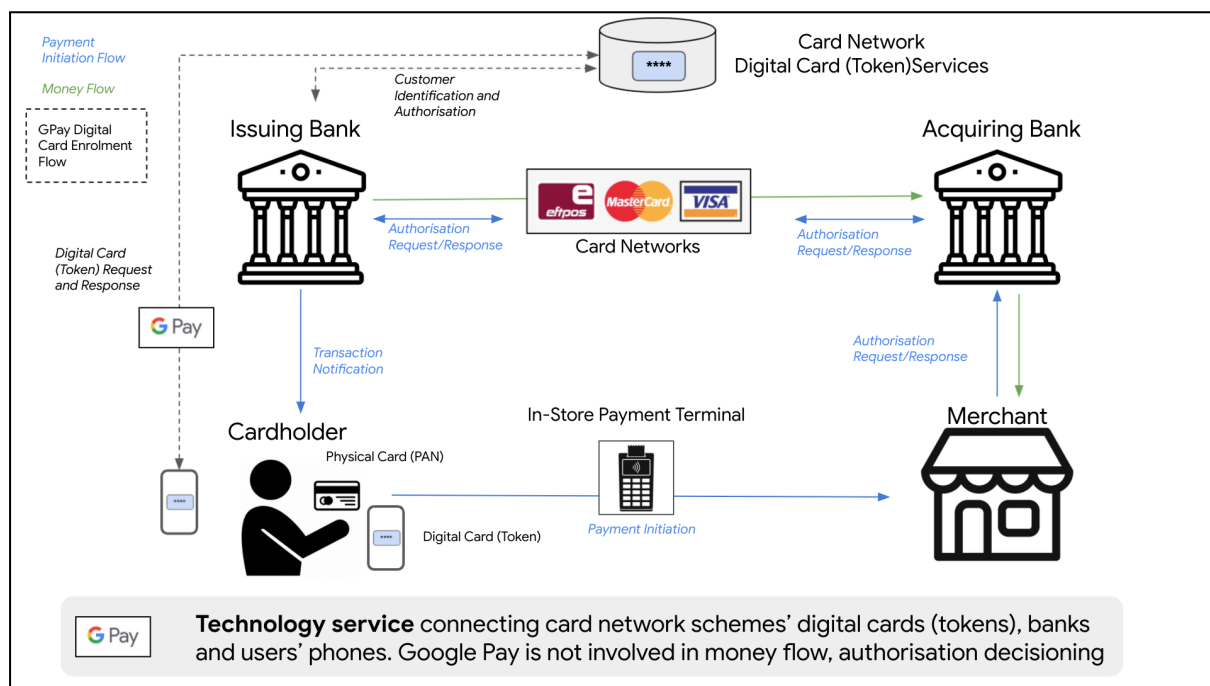
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Appendix A - Overview of Google Pay in Australia

Google Pay is a simple and safe way for people to use their selected card or other form of payment to pay for things both online and in-store ('tap-n-pay') using their Android Device. Google Pay launched in Australia in 2016 under the name 'Android Pay' and was subsequently rebranded to Google Pay in 2018. It is one of many ways users of an Android phone can use technology to facilitate payment for things both in-store and online using card-based forms of payment.

Google is not a payment provider. For both online and 'in-store' uses of Google Pay, the financial institutions remain as the payment providers and retain full autonomy over all identification and authentication decisions. In contrast Google Pay is a technology platform that partially facilitates these transactions through the transmission of electronic bank information to transaction parties. Google is not involved in the "money flow", does not store value and does not make any authentication decisions for transactions. The separately supporting arrangements under which Google Pay becomes a participant in the communication between cardholders and their payment providers is facilitated by contracts with financial institutions, merchants (for online) and with the card schemes.

See diagram 1 below highlighting the payment flow with cards via Google Pay in Australia.



Partnership is central to how we approach building and scaling Google Pay globally. We work within the existing payments ecosystem by developing deep partnerships with third party partners including financial institutions, merchants and regulators to help them drive economic growth and boost financial inclusion. In addition, our priority is to protect the privacy and security of user data and offer users transparency, choice and control.

Google Pay is utilised by small and large card issuers alike in Australia. In fact, smaller fintechs are able to utilise our technology platform to compete with larger banks, which have greater resources to invest in their own proprietary payment solution; 'Up', 'Bank

Australia', 'Ubank', and 'Zip' were able to develop and offer mobile payments in a short time by using Google Pay.

Google Pay is not exclusive or the only 'digital payment wallet' method available for users of Android Devices. Google has developed the Android Operating System with an open NFC architecture. The openness of this architecture has enabled innovation and choice, as evidenced by the multiple options available to Australian consumers to make in-store payments from digital wallets using technology solutions to facilitate and support those digital wallets. This technology has led to competitive 'tap and pay' solutions such as Samsung Pay, Commonwealth Bank's "Tap and Pay" and Google Pay.

We are also currently expanding our support for 'non-payment' items to allow a wider range of cards and electronic instruments to be stored or recorded in the Google Wallet. Australian users can now store loyalty cards, boarding passes, event tickets and even local public transport cards (such as MYKI in Melbourne) within the wallet. We have also partnered with Services Australia to enable digital Covid Cards and with the Civil Aviation Authority to allow for Remote Pilot Licences to be stored in Google Wallet.

Google continues to invest in initiatives to unlock new functionality for the Australian market. These include our support for Eftpos cards (single scheme) on Google Pay and most recently we have been engaged with the RBA, Eftpos and banking partners on the development of a new co-badge solution that will support Least Cost Routing.

In Australia, Google Pay does not charge fees to financial institutions, merchants or consumers. In addition, Google Pay does not sell transaction information to third parties or share such data with any other part of Google for any purpose including targeting ads.