

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

paymentsconsultation@treasury.gov.au

Dear Director

RE: A Strategic Plan for the Payments System - Consultation paper - December 2022
Submission / Response from Mobypay Pty Ltd

Thank you for the opportunity to contribute to the strategic planning for the Australian Payment System. The scope of the plan is extensive so this response will not address in detail all areas being considered but will provide a request for consideration at an overall level and more detailed responses to some of the questions proposed in the consultation paper.

Introduction

Mobypay Pty Ltd (Mobypay) is a newly incorporated entity created with the intent to participate initially in the domestic payment systems providing innovative solutions to support existing network participants and ultimately where appropriate to expand its services internationally. The initial area of focus for Mobypay is in confirmation of payee through a service branded IsItYou.

Consultation Questions and responses

Key principles

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

Privacy

Privacy should be called out as a principal consideration in the strategic development of the Australian payment system.

Whilst almost all participants in the payment system are Australian Privacy Principal entities considerations in relation to privacy have not been called out as part of the strategic plan. It is important that privacy is considered and incorporated into the plan for a number of reasons which include:

1. Individuals within the community demonstrate a desire to retain privacy in some of the payment transactions they make for various non-crime related personal reasons
2. Digitisation and combination of payments with data tends to erode privacy and in addition pass some level of ownership of payment and associated data into the hands of network participants
3. In order to consider appropriately the balance between the need to protect against scams and fraud with the need to address privacy, privacy itself needs to be called out and considered strategically

Efficiency and Innovation

It may not be necessary to call out diversity as a key principal in its own right but it might be worthwhile considering diversity within the principles of Efficiency and Innovation. Some of the most innovative payment solutions globally would not have been developed inside the traditional payment markets. For example M-Pesa in Africa and WeChat pay in china are examples of payment developments which serve end user needs and have as a consequence been very successful in their markets. Is it the intent of the strategic plan to foster the development of these kinds of non-conforming solutions within Australia? If it is the intent of the strategic plan to foster these kinds of developments then the stated principles of efficiency and innovation may need to change to incorporate this view.

Accessibility

Competitive tensions and market power are factors which influence access to payment systems. It is important that the principles (not just the priorities) call out the importance of resisting these factors to allow new entrants and developments a chance for success. The plan may need to address the approaches to ensure that innovations, developments and improvements are not stifled.

Trustworthiness

Regulators have a role to play in facilitating new entrants and creating a level of trust based on licensing. CDR is a good example of a review process to deliver trusted status to new entrants facilitating competition and ultimately innovation in that space. CDR also provides an even playing field for existing data holders and new market entrants in offering data recipient services. Currently significant payment data is in the hands of incumbents facilitating stronger payment protections through payment data analysis. New entrants and smaller existing participants do not have access to extensive historical payment data sets and consequently will have increasing difficulty competing with incumbents in protecting their customers.

The Trustworthiness principle may need to address the value of data and seek to ensure that necessary data is available and shared safely and securely with all participants to ensure all end users can benefit from robust protections against fraudulent transactions. To be clear the principle should be enriched to include a statement encouraging the sharing of data (statements about information sharing may not mean data) to protect the system from compromise.

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.*

Promoting a safe and resilient payments system

In ensuring the resilience of the Australian payment systems it is important to include an element of attention to disaster. Even including a statement within this priority to ensure that consideration is given to payments in and around disaster and disaster recovery would encourage the inclusion of this increasingly important part of our payment systems in the planning and development. (It is noted that disaster is raised in the discussion of cash but if the industry is to move away from cash alternatives to support the community in disaster need to be included in planning).

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

One aspect of the regulatory framework which has traditionally been difficult to implement is a process supporting innovations to be tried and for some innovations to fail. Some success has been had in regulatory sandbox environments but they are still limited. Consideration needs to be given to providing support through regulatory relief or protection to developments or innovations to ensure the framework does not inhibit further development. It should be ok to try some new innovation and fail without significant detrimental consequences for the innovators. This will need to be considered whilst ensuring a level of protection for the users of the new innovation.

Ensuring alignment with the broader digital economy transformation

As noted previously around the inclusion of a principle governing privacy, the priority around digitization and the linking of payments to other data needs to ensure that privacy principles are upheld. As an example whilst the CDR is a development in efficiency, and does provide the end user with some control of access to data, it does not discourage the increasing inclusion of data collection associated with payments and the risk of breaching the APPs. Realistically end users cannot influence the terms and conditions of payment service participants and so it is incumbent on regulators to ensure that the potential to leverage additional data in payments is not exploited under the protection provided by advising end clients of the activity through detailed terms and conditions.

Modernising payments infrastructure

As noted previously it is important to ensure that the process of modernising payment infrastructure specifically when it is introduced under the guise of interoperability amongst payment systems does not limit the development of innovative new methods of payment.

It is important to ensure that innovations can be supported and that “transition to modern and efficient payment systems” is not a priority to maintain incumbency and stifle development and innovation.

Recent review of the development of Stored Value Facilities and the regulatory framework surrounding these providers did not address the fact that globally the development of Crypto was an attempt, albeit not currently a successful one, to break out from the regulatory controls and create stored value and payments outside of existing payment rails. Discussions continue around the regulation of this unregulated development but do not address the gap between the limitless or unrestricted development potential in Crypto markets vs the potentially stifled development and drive to homogenise payments under existing and even proposed regulatory frameworks. It is important to include a focus on finding a middle ground between the regulated incumbents and the unregulated developments.

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

Reduce the prevalence of scams and fraud

The initiative is a very important one in light of the growing losses by consumers and businesses to sophisticated global protagonists. It is also an area of focus for Mobypay.

Information sharing as defined in the actions may not be enough and the action may need to include an imperative to share data. Very recent development by the Commonwealth Bank of Australia (CBA) to help its customers with confirmation of payment recipients demonstrates the depth of data held by large market participants. The use of this data either demonstrated through the announced initiative of the CBA or behind the scenes initiatives and support provided by other large data holders evidences an opportunity to leverage this information for the benefit of all industry participants.

Actions should be updated in light of these domestic initiatives and overseas developments in data sharing and confirmation of payee. The actions should include direction for the industry to enable sharing of data to strengthen the system against scams and to mitigate the losses experienced by end users. Noting the previously stated suggestion to include Privacy in the principals.

In addition it should be recognised that there is a role for telecommunications companies to play in the prevention of scams and fraud. Currently messages and calls through telecommunication companies help to facilitate the trust consumers place in communications. As a consequence these companies need to be brought into the discussions to find ways to limit the scope for bad actors to replicate trusted entities in communications.

Strengthen defences against cyber-attacks

As noted above telecommunications companies have a big role to play in helping to defend Australia against these attacks and coordination with these entities is crucial in maintaining the integrity of systems.

Supervision of systematically important payment systems

Supported - No comment required.

Implement changes to PSRA, including a Ministerial designation power

This initiative is supported and feedback can be provided as the roadmap is shared.

Introduce a tiered payments licensing framework for payment service providers

As noted in previous commentary it is important that the new arrangements do not create an impediment to innovation and development of solutions that may exist outside of the existing and even modernised and improved payment infrastructure.

Enable greater collaboration between payments regulators

Supported - No comment required.

Promote competition by facilitating proportionate, objective, and transparent access to payment systems

As noted in previous feedback it is important that there is scope for development of new innovative payment processes. Continued development of sandbox regulatory structures and a scaled approach to regulatory oversight required for new products and services as they grow.

In addition the current requirements around client money need to be reviewed to protect the ADIs involved in providing services to new participants. Currently the impost on ADIs creates an unintended oversight by those ADIs as they are concerned about regulatory penalties applying to them for allowing client money accounts to be operated by new entrants. Some consideration could be given to a process that supports not just the fledgling innovator but also the incumbent ADI in providing services to the new innovator. If incumbents could rely on a regulatory approval to protect them from regulatory penalties then the incumbents may find working with new innovators less concerning.

Reduce small business transaction costs, by supporting the availability of least-cost routing

Supported - No comment required.

Ensure the payments system is aligned with developments in the broader data ecosystem such as the CDR

Supported. As the current adoption of CDR is relatively slow whilst this initiative will have a positive impact for some of the new players in the CDR space in itself this alignment is unlikely to be a significant factor in the ongoing development of the payment infrastructure and should not be adopted as the main method of involving new participants in payments.

Explore the policy rationale for an Australian CBDC, including investigating the economic, legal, regulatory and technological considerations associated with an Australian CBDC

The pilot will provide more information but should not limit the ongoing investigations of this technology. The minting of new stable coins by the Australian and New Zealand Banking Group and by the National Australia Bank represent additional opportunities for development in this space and developments supported by these coins should be considered in the strategic plans of our payment systems. Banks minting stable coins is no different to the current process of Banks creating money supply. It is not necessary for stable coins to be CBDC.

Support the transition to more modern infrastructure

Supported - No comment required.

Maintain adequate access to cash for those that rely on it

As noted considerations need to be given to the use of cash to support not just accessibility but other use cases for example:

- Store of value – people are confident in the value it represents

- Resilience, stability and reliability – cash works in a crisis, cash is trusted and is currently readily accepted, makes people feel safe (if they have some cash as backup), cash is not governed by an ADI so it is free from the controls of these powerful entities
- Privacy – whilst there is a lot of focus on cash and its privacy supporting criminal activity there are also legitimate activities where the users of cash would prefer no data is collected by payment network operators

Actions should include user survey or engagement to confirm these views and to review potential alternatives that provide similar user outcomes as the cost of systems to support cash increase. We should not assume that we cannot do without cash rather we should be looking for ways to meet the current uses to the satisfaction of the community and cash like cheques will disappear on its own.

Promote interoperability with international standards and arrangements for cross-border payments

Supported – Only additional comment would be that the consideration be given to the sharing of information globally where it will support the fight against fraud and scams. Including international Confirmation of Payee where domestic solutions can be linked. The existence of the Public Interest Determination to allow banks to share beneficiary information is an important step in global sharing of information.

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?

If the sharing of data to support confirmation of payee is included in the actions it would be beneficial for that milestone to be set at the end of 2023 as the implementation of a ubiquitous program i.e. all banks are required to share account names securely with other payment participants. Confirmation of Payee is important to the integrity of the overall system not just single participants.

If it is accepted that a survey of cash users be completed to help to understand how the payment system could support all the uses of cash then it would be appropriate that this kind of survey is completed in line with the ongoing development of stable coins and an Australian CBDC as these are the most likely solutions for a replacement for cash. Again this could be completed by the end of 2023.

Payment initiation through CDR needs further review as the costs to implement may be prohibitive. This development should be delayed until the wide use of CDR is demonstrated. Priority should not be given if there is not a wide use case so recommend this is delayed until 2024 or 2025 and reviewed forward if the use of CDR increases.

Roadmap to implement PSRA reforms should be made available in 2023.

Roadmap for the introduction of new licencing framework should be available in 2023 with the consultation process in early 2024 and outcomes and findings by mid 2024.

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

Annual review of the strategic plan is appropriate. It may be considered appropriate to provide a bi-annual opportunity for engagement with those other than the traditional regulators, industry groups and consumer and business representatives. Incumbent parties tend to possess a view which is not as diverse as the whole of the community and payments is an area which impacts all parts of the community.

7. *Are there any other sections or topics that you would like to see added to the Plan? Please provide an explanation.*

Community consultation and consideration of issues related to diverse parts of the community should be considered in the strategic development and planning of such significant economic and social infrastructure.

Examples which are by no means exhaustive and should not be considered as a representation of all diversity include things such as:

- Consideration of those with disability. How are community members who are challenged in sight, hearing, mobility or intellectually currently making payments. How would payment experiences improve for this part of the community.
- Consideration of Aboriginal and Torres Strait Islander community – How do current payment processes support this community its values culture and independence. How could or would payment experiences improve as the plan is implemented.

Conclusions

The establishment of a strategic plan for the development and future of the Australian payments system is an important step in making this information available to a wide audience and will hopefully lead to a broader involvement by community in this important social and economic infrastructure.

We look forward to the opportunity to continue to provide feedback as the submissions are reviewed and published and strategic plan is drafted and shared.

Yours faithfully



Matthew Byrne
Mobypay Pty Ltd

