



6 February 2023

Director – Payments Strategy and Policy Unit
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The Treasury
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To whom it may concern

Strategic Plan for the Payments System: Consultation Paper

OFX welcomes the opportunity to respond to the Australian Government's Strategic Plan for the Payments System Consultation Paper, December 2022 (the **Plan**).

OzForex Limited, trading as OFX (ABN 65 092 375 703) is an Australian headquartered global foreign exchange and payments company. OFX holds an Australian Financial Services Licence (No. 226 484) regulated by ASIC and is a registered remittance provider with AUSTRAC. Its parent company, OFX Group Limited, is listed on the ASX (ASX:OFX).

OFX strongly supports the review of the payments system in Australia and agrees that reform is required to ensure the regulatory framework is fit-for-purpose now and in the future.

We look forward to providing further submissions and consulting further with Government and regulators on the key initiatives.

This submission is focused on those parts of the Plan that will materially impact OFX, its business and its customers.

1. Key Principles

OFX largely agrees with the key principles. It is imperative that these principles are used to guide outcomes that are focused equally on both end users of the ultimate financial products and services and on all the participants within the payments system.

Specifically, with regard to the key principle of **Innovation** – it is OFX's position that this principal is critical to achieve the stated intention in the Plan of being adaptable to opportunities and challenges, while protecting the interests of Australians.

2. Key Priorities

OFX agrees the key priorities will support and promote the key principles identified in the Plan.

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The key and overarching focus to achieve the outcomes across all the priorities is ensuring the regulatory framework is fit-for-purpose and promotes competition. Australia needs a mature regulatory framework that is fit-for-purpose, modern, promotes a safe and resilient system and aligns with broader digital economic transformation. This is directly aligned to the overall intent and strategy previously recommended by the Council of Financial Regulators to simplify and create consistency internationally.

In particular, OFX strongly supports the **introduction of a new, tiered payments licencing framework for payment service providers**. This would allow for greater flexibility and promote innovation specifically amongst global providers with the end user of the financial products and services being a key beneficiary. Recent and continuing digital trends and the growth in the Fintech and payment sectors have seen significant change in the way customers choose to manage their finances. Digitisation is driving rapid developments in innovation which is driven by technology and market demand.

The current regulatory framework in Australia is limiting the opportunity for growth when compared to other jurisdictions such as the UK, Europe and Singapore. As a global company, offering its products and services in eight jurisdictions globally, OFX's business model includes being based on improving the way customers receive, store, hold, make payments and manage their money globally. It is OFX's view that the current regulatory structure in Australia poses an undue restriction on innovation for existing AFS Licensees who have the capability, resources and desire to provide Australian customers with the features and products that they demand. Australia's regulatory architecture should regulate participants consistently based on the functions they provide.

In addition, OFX strongly supports the focus on greater **Access to payments infrastructure**. There is a large opportunity to modernise the current regulations to provide efficiencies and clarity within the system and its oversight.

OFX notes that there is an OECD working group that is currently looking at transparency as a key contributor to improving trust. Being able to efficiently and easily track and understand where a consumer's funds are at any one time is key. The infrastructure domestically and globally is quickly advancing to support this (for example, SWIFT gpi, beneficiary validation APIs etc.), and, while most of our counterparties offer their direct customers full access to this information, they do not do the same with their partners such as OFX. Competition in this area would help, however it is OFX's position that it is the reservations of banks to work collaboratively with Money Service Businesses, such as OFX, that is the real issue, and therefore the focus on updates and refining of regulation to support these relationships would be advantageous to both the payments industry and the consumer.

A substantial proportion of the complaints OFX receives from its customers relate to delayed payments as a result of an institution further down the payment chain. It is very difficult to assist a

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customer and work towards a solution when there is a lack of information about a payment once it has been paid and or any easy access to information. The advancement of regulation and requirements to provide payment tracking and transparency is strongly supported by OFX. Permitting and regulating such access is aligned with and assists the expectations and requirements of regulators such as the ACCC in Australia and the CFPB in the USA, in relation to transparency of fees customers may be charged by any and all institutions in the payment chain.

3. Key Initiatives

OFX has focused below on those key initiatives that more directly and materially impact it as a business and its customers. The Key Initiatives are addressed in the order set out in Attachment B to the Plan and the below outlines OFX's view and feedback.

Promote a safe and resilient payments system:

- a) **Reduce the prevalence of scams and fraud** – OFX believes that the expansion of existing frameworks for the sharing of intelligence is critical to enable all participants to address and manage fraud and scams more effectively.

OFX is encouraged that Plan proposes to continue to support and monitor government and industry initiatives that share intelligence to disrupt scams and coordinate scam responses, recognising the private sector is the first line of defence against scams. However, this does not go far enough. Current government and industry initiatives to share intelligence for the purposes of disrupting scams and fraud only involve the banks and payment schemes. As an AFS Licensee, OFX is not currently considered 'eligible' to be part of these initiatives. The membership of these government industry initiatives needs to be expanded to involve other large and reputable financial services business such as OFX.

This approach is required to ensure an outcome that brings together resources from the private sector and governments to enable better collaboration, information sharing and coordinated disruption of scams.

OFX has previously had discussions with AUSTRAC in relation to obtaining access to such memberships as the Fintel Alliance and Interbank.

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

- a) **Introduce a payments licensing regime** – OFX has seen and experienced the pace of change across technology, business models, participants, and regulation (outside of Australia) accelerating globally. The review and modernisation of the regulatory framework is well overdue. The age and complexity of the current regime make it

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increasingly difficult for the industry to meet the changing needs of a diverse group of end-users.

The need for a new tiered licensing framework which establishes a new functions-based licensing framework for payment service providers is aligned to the strategy of creating a simpler regulatory framework, which benefits both participants and consumers and is better aligned with international standards. OFX agrees with the recommendation that regulation should be functionally based, to ensure appropriate regulatory coverage of payments-related entities, and to provide regulatory clarity to industry.

It is essential that the Plan provides a roadmap for the implementation of the new licensing framework, including proposed timing for consultation and legislation. These reforms will be fundamental to the business structures and operations of many Australian market participants including OFX. Indicative timing on the implementation of this initiative is crucial and a clear roadmap will assist businesses like OFX to plan, prioritise and allocate appropriate resources. This key initiative should be prioritised.

The introduction of a new payments licensing regime will need to consider and support other regulatory licensing reviews such as APRA's intention of a broader review of APS610 scheduled for early 2023.

- b) Enable greater collaboration between payment system regulators** - Critical to achieving and supporting the key initiative in relation to a new licensing regime is the collaboration between multiple regulators, and therefore the Plan needs to outline and confirm the support and endorse the inter-agency payments forum in its efforts to strengthen collaboration and communication.
- c) Promote competition by facilitating transparent access to payment systems** - OFX supports the position of opening access to Australia's payment systems to payment service providers that do not hold an ADI licence, such as OFX.

OFX agrees that facilitating greater access to payment systems through the provision of clear, objective, proportionate and transparent access requirements will support greater competition between payment service providers and encourage development of more payment innovations for consumers. In principle this initiative positively impacts the payments sector within which OFX operates and will likely increase innovation and customer service. It is OFX's position that the access rules should be common across all participants, as creating a two-tier access system will likely stifle innovation.

This initiative is linked and should be considered as part of the review and introduction of a tiered licensing framework so as to ensure consistency of requirements to mitigate operational, financial and systemic risks.

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4. Process for reviewing the Plan

The engagement must leverage existing industry knowledge and experience, as well as existing reports and published recommendations. Further written consultation papers are required to ensure there is a deep dive into each initiative.

The Plan should also include a commitment to action detailing items such as committed resources and being held accountable to outcomes. As per its submission above, OFX agrees this Plan is essential to the development and future of the payments system in Australia, however the Plan should also ensure action and progress.

OFX welcomes the recognition that the regulatory architecture governing payments needs to be updated. We would appreciate the Government considering the above points when conducting its analysis and welcome any further points for clarification.

We look forward to consulting further with Government, industry bodies and regulators in due course.

Yours sincerely

A handwritten signature in black ink, consisting of a stylized 'A' followed by a long, sweeping horizontal line.

Adrian Wong
Chief Legal Officer and Company Secretary
OzForex Limited trading as OFX