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Payments Policy and Strategy Unit
Financial System Division
Treasury
Langton Cres
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Wise submission to Australian Treasury Strategic Payments Review

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Wise acknowledges the need to update the payments regulatory framework in Australia and thanks Treasury for the opportunity to make submissions to this review.

Reform in this area can yield considerable productivity increases, reductions in costs for businesses and consumers, more consumer certainty about payments and greater security against fraud and scams.

Wise notes the importance of a payments system that is robust, efficient, innovative and ultimately better for consumers. We believe that there is much more that needs to be done in order to ensure that the payments system in Australia meets the challenges of the coming decades.

About Wise

Wise is a global technology company, building the best way to move money around the world. With the Wise account people and businesses can hold over 50 currencies, move money between countries and spend money abroad.

Large companies and banks use Wise technology too; an entirely new cross-border payments network that will one day power money without borders for everyone, everywhere. However you use the platform, Wise is on a mission to make your life easier and save you money.

Co-founded by Kristo Käärmann and Taavet Hinrikus, Wise launched in 2011 under the name TransferWise. It is one of the world's fastest growing, profitable technology companies and is listed on the London Stock Exchange under the ticker, WISE.

15 million people and businesses use Wise, which processes over £9 billion in cross-border transactions every month, saving customers over £1 billion a year.

Proposed Key Principles

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

Efficiency

Wise is highly invested in an efficient payments network for both domestic and international payments. The swift movement of money improves economic outcomes and reduces customer friction. With adoption of international standards we hope that international payments move towards being completely frictionless.

Innovation

Wise is a highly innovative company creating a new way for consumers around the planet to move their money across borders. The environment for payments in Australia is not as facilitative of innovation as it should be and the suggested changes to licensing regimes could promote further innovation from existing companies as well as establish an environment which is more facilitative of new Australian companies starting up and participating in the market.

Accessibility

Wise believes that more accessible payments infrastructure in Australia is a necessary precondition for greater innovation and competition in this space. The current architecture of payments systems are such that there are considerable barriers to entry and high costs of maintaining that presence once entry is obtained.

Trustworthiness

Payments in Australia have a high degree of trustworthiness and it is important that this continues. Wise recognises the need to strive towards a payments system that does not allow scam and fraud activity that consumers can trust with their money.

Transparency

Wise proposes a fifth key principle which should drive payments policy in Australia - **Transparency**. Wise is a company which was founded on the principle of transparent pricing for consumers. In a market like payments it is very easy for consumers to be unaware of what they are actually paying for international payments.

Therefore, an Australian payments system should be **transparent** to what customers and small businesses are paying for this essential element in a modern economy.

Proposed Key Priorities

Question 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.

The key priorities outlined by the Treasury provide a degree of certainty as to which work should be done first by Treasury. However, Wise notes that the underlying priority of Treasury should be a focus on creating a payments system for fiat currency before an examination of payments with 'new forms of money'.

Promoting a safe and resilient payments system

Wise supports the promotion of a safe and resilient payments system. Noting that there is a need to ensure that digital payments networks are, as much as possible, not used as a vector for scams and fraud.

The need for a payments system that is not subject to outages is a particular priority as consumer faith in electronic payments relies on the systems being reliable and immune from cyber attack.

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

While innovative Fintechs have emerged over the last decade, the regulatory framework in Australia has not kept pace. The government should prioritise reforms to the regulatory framework which allow for fintechs to reduce their regulatory burden and encourage access to common infrastructure necessary for competition.

Wise believes that the competitive framework in Australia relies on ensuring that entrenched players in the space are not given unfair advantages through access to payments infrastructure.

Ensuring alignment with broader digital economy transformation

Treasury needs to ensure that the review of payments in Australia works for everyday payments in Australia. Specifically it should concentrate on fiat currency payments which drive >99% of the payments in the Australian economy.

Suggested "new forms of money" are not yet providing payments at scale and are often traded as securities rather than used as payment methods.

Where these new potential currencies *are* used for payments they are all too often payments designed to facilitate anonymous payments making it harder for law enforcement agents to detect financial crime.

Reform of the payments system should not be used as a mechanism for the regulation of “new forms of money” in Australia. Instead, the priorities of the government should be to concentrate on developing a payments system which assists the vast majority of Australian consumers and businesses making their day-to-day payments.

Where other reforms are suggested, Wise will support any mechanisms which may reduce complexity or duplication of regulatory requirements to enhance the broader transformation to a more digital economy.

Modernising payments infrastructure

While there has been considerable investment in the payments infrastructure in Australia over the past decade, the lack of enhancements in the New Payments Platform has caused considerable frustration for Fintech players in Australia.

To promote the modernisation of the Australian payments system, what is needed more than anything is a mechanism to encourage the rollout and mandate of features on the New Payments Platform above all else.

Proposed Key Initiatives

Question 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.

The key initiatives outlined in the annexure supporting the Strategic Plan present a broad suite of specific measures which can be used to improve the payments system in Australia. We believe that the majority of matters canvassed would present an appropriate suite of measures provided that they are adequate calibrated to solve issues which currently exist.

Question 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 Prevalence of Scams and Fraud

Wise is keen to engage in any process that will reduce the prevalence of scams and fraud activity utilising the payments systems in Australia. We acknowledge that there is a global increase in the amount of fraud and scam activity and that payment service providers can be a vector in this scam activity.

Wise looks forward to seeing the government's proposed mechanisms for intelligence sharing to disrupt scams and scam activity and to see what form the National Anti-Scam Centre takes.

Wise also believes that Treasury should review barriers to information sharing between financial institutions to allow payment service providers to more quickly identify scam typologies and information about new and emerging threats.

Any mandatory implementation of the ePayments Code should have a consultation process prior to the implementation of the code.

Supervision of systemically important payment systems

The New Payments Platform (NPP) will become ubiquitous in the near future - particularly with the phasing out of the Bulk Electronic Clearing System (BECS). There is, therefore, a necessity for the NPP to be able to process all payments which are currently done by BECS, including international payments.

Currently the NPP does not allow payments incoming from overseas. Noting that the rollout of this feature was to have occurred by the end of 2022, this has been delayed to the end of 2023.

These delays are costly to businesses and frustrating for consumers. Wise therefore suggests that the government, as a part of its strategic plan for Australian payments, explore ways for more oversight of this critical payment system to ensure that features which are essential to its operation are rolled out in accordance with an established timetable.

This supervision should ensure that major participants are not able to stymie innovation and consumer outcomes found in improving payment infrastructure through non-performance under the established timetables.

Implement changes to PSRA, including a Ministerial designation power

Wise does not object to a review of the PSRA and the suggested implementation of a Ministerial designation power. This process should be conducted with a full exposure draft of legislation provided to industry for comment prior to the bill's adoption by government and presentation to Parliament.

Introduce a tiered payments licencing framework for payment service providers

Wise wishes to see the inclusion of tiered licensing frameworks for payment service providers as a part of this Strategic Review process. Development of international interoperability through cross-border initiatives and the review of the Payment Systems (Regulation) Act 1998.

Wise is licensed as an authorised deposit-taking institution (ADI) in Australia which makes the Australian experience an outlier in Wise's global licensing framework. Consequently, the requirements for Wise to operate in Australia are misaligned with our other licence requirements in comparable markets.

Being licensed in the ADI framework, which is developed for banks, does not correlate with the activities that we undertake as an international payment service provider. Consequently, it has a considerable impost on our business with no discernable consumer benefit.

In the United Kingdom, we are licensed as an e-money institution (EMI) under the Financial Conduct Authority (FCA). Wise views the e-money licence in the United

Kingdom as being a standard to emulate given it is a licence with proportionate and targeted regulations designed to protect consumers while reducing unnecessary red tape.

We believe that a future Australian payments licensing regime should take many of its notes from the regime which exists in the United Kingdom and tailor it for Australian needs. The opportunity to simplify and streamline the regulatory and reporting process would appeal greatly to us as a financial technology company.

Wise therefore considers that a process for a new framework be brought forward as a key priority and that this framework be based on other internationally successful licensing frameworks for payments providers.

Any suggested new framework should simplify the current regime by streamlining the licence framework such that multiple licences can be reduced to one licence and supervision can be conducted by one regulator. Currently Wise holds an AFSL and a Limited ADI licence which means a higher compliance cost than under other comparable economies.

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

Access to payment systems in Australia is something that Wise has considerable experience with both globally and in Australia - being the first new entrant to the NPP in Australia.

We note that the current requirements are onerous for firms which do not have the support of a global company and that the likelihood of Australian start-up firms being able to invest in direct access to payment systems like the New Payments Platform are reduced given the cost in time and money.

While Wise's business model encouraged direct access as a mechanism to reduce costs and increase speed, this may not be the case for all businesses who wish to make use of Australian payments systems.

If there were to be a payments licensing regime that adequately managed risks in a proportionate manner while allowing for direct access, Wise would support this as a matter of principle. However, any such regime should not come at the expense of the integrity of the payments system and the safety of customer funds.

Reduce small business transaction costs

More and more Australian small businesses have international payment obligations whether through overseas supply chains or payroll to employees living outside Australia.

The costs for small businesses are made much higher through an opaque market for international payments. Currently a small business using a traditional bank will pay high fees - hidden in the foreign currency exchange rate - for their international payments.

A more transparent market for international payments where payment service providers are required to illustrate the cost to the customer in dollar terms including the fee contained in the exchange rate will yield a more competitive market and will reduce overall costs for Australian small businesses.

In an Australian economy seeking productivity gains, reducing the cost for international payments for small businesses is a critical element of building a more productive Australian economy.

Ensure the payments system is aligned with developments under the Consumer Data Right framework

The development of the Consumer Data Right (CDR) presents a genuine opportunity for the promotion of more competition and greater consumer outcomes.

Wise supports reviews of existing CDR categories to determine their fitness for purpose and also expansions of product reference data to allow for foreign exchange and international payments services to be included in the CDR.

Support the transition to more modern payments infrastructure

Wise notes that the Bulk Electronic Clearing System for payments is in the process of being shut down over the coming years and that it is important for business to have certainty from the operators of the payments infrastructure in Australia that these underlying networks operate in a predictable and reliable fashion.

Wise suggests implementing the measures outlined above in respect to supervision of critical payments infrastructure as a method of streamlining the transition to more modern payments infrastructure.

Support international efforts to enhance cross-border payments

Wise insists on a full review of the [G20 National Remittance Plan Australia, 2021](#) to ensure it is appropriately calibrated to deliver the maximal impact for enhancing cross border payments through reducing costs and increasing speed.

Currently, this plan is out of date and is not meeting its stated objectives particularly in reducing the costs of remittances to Pacific Island nations.

The plan references improving the speed of payments and cites the NPP as a vector for this, however in the last six months the NPP has delayed the rollout of international payments over its rails for at least nine months and has delayed the implementation of other features on the NPP.

The Empowering Migrants Through Remittances program relies on an outdated conception of how to best illustrate prices of remittance services and does not take into account new technologies and industry standards including the product reference data of the CDR.

The proposed Regional eKYC facility has been abandoned by various Central Banks in the region and solving KYC issues in the Pacific appears to be further away than ever.

Access to financial services for both fintechs and consumers in Pacific markets is limited and should be reviewed by government as a national imperative in order to assist Pacific Island nations to improve their economies.

The plan also references increased transparency for remittance services; however the current Best Practice Guidance issued by the ACCC for international transfers does not require an explicit illustration of the fees found in the markup and therefore does nothing to prompt consumer switching behaviour to enhance competitiveness.

Therefore, Wise believes that Treasury monitor the impacts of the ACCC's review of Best Practice Guidance in order to determine if the guidance offers sufficient information to consumers to allow them to assess whether or not they are getting the price information needed in order to make the best possible decision.

The promotion of competition in the market for cross-border payments is critical to deliver outcomes for consumers in Australia. For too long consumers have been overpaying for overseas payments with a lack of competition being a particular reason for this overpayment.

In an increasingly globalised world where cross-border payments and transfers are becoming more commonplace, the need for a payments system with regulation which is fit for purpose in promoting more transparency and competition is vital to ensure more productive outcomes for the Australian economy and deliver the foreign policy goals upon which the G20 Plan is based.

Question 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?

Key milestones under the plan should be set by Treasury in consultation with industry.

The sheer scope of work here indicates that this will take considerable time to devise, draft, consult and implement the changes which form a part of the consultation.

Wise views the key milestones to be squarely in the realm of improving international payments. Specifically, we refer to the material contained in the section of initiatives in supporting efforts to enhance cross-border payments.

Milestones under this section should be set for resolution within 18 months of the conclusion of this consultation.

Process for Reviewing the Plan

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

Wise supports the yearly review process and notes that facilitation of this review process would be better managed if there were a payments systems co-ordinator or similar function contained within Treasury to take views from industry.

This function could better coordinate between government agencies and ensure more accountability in the representation of industry views to government.

Wise has no objection to the review timeframes that have been suggested by Treasury in the consultation paper.

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

Wise views this plan as being an appropriate outline of the work that is to be conducted in the payments space in the coming years.

We thank Treasury for the opportunity to make a submission to this strategic review process.

Sincerely,



Jack Pinczewski
APAC Government Relations Manager
Wise