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Sally Etherington
Director
Payments Strategy and Policy Unit Financial System Division

By Email: paymentsconsultation@treasury.gov.au

Dear Ms Etherington

Reforms to the Payment Systems (Regulation) Act 1998 – Exposure draft legislation

Thank you for the opportunity for PayPal to provide feedback on the exposure draft legislation, *Reforms to the Payment Systems (Regulation) Act 1998 (PSRA)* and explanatory material.

About PayPal

PayPal has remained at the forefront of the digital payment revolution for more than 20 years. By leveraging technology and strategic partnerships to make financial services and commerce more convenient, affordable, and secure, the PayPal platform is empowering more than 430 million consumer and merchant accounts in more than 200 markets to join and thrive in the global economy. Operating in Australia since 2005, PayPal is a long-term, well-regulated participant providing a range of products and services across the Australian payments ecosystem.

PayPal's products are device- and network-agnostic. Further, PayPal's open APIs have enabled many third parties to incorporate PayPal transaction data as well as its online and/or offline capabilities into their own solutions. Through partnerships, and our device-, network- and platform-agnostic approach, we are enabling digital payments around the world. By combining the best of our assets with the best of our partners' assets, we strive to provide the best, secure and trusted experiences for all our customers.

PayPal is particularly proud to be consistently recognised as one of the most trusted non-bank financial services brands by Australian consumers and earning and maintaining the trust of our customers is our highest priority.

Feedback on exposure PSRA draft legislation and explanatory material

PayPal supports the Australian Government's commitment to modernise the regulatory framework underpinning Australia's payments ecosystem through the development and implementation of *a Strategic Plan for Australia's Payment System*, amending the PSRA and the introduction of a licensing framework, including reforms to the existing Purchased Payment Facility licensing regime.

Australia's regulatory architecture, as in most other markets globally, must keep pace with innovation occurring in the payments system. For example, a fit-for-purpose regulatory architecture should be able to balance facilitation of the high value customer utility and security of mobile payments technology with

ensuring all payment service providers may appropriately deliver truly competitive, cost efficient and innovative payments solutions for Australian consumers.

Therefore, PayPal welcomes the intent of the exposure draft legislation to modernise the PSRA, ensure it is fit-for-purpose and technology and competitively neutral through expanding the definitions of 'payment system' and 'participant', ensure the ability of the Reserve Bank of Australia to regulate new and emerging payment systems, and create new Ministerial powers that can be exercised in the national interest under the PSRA.

We welcome that the Bill, as drafted, will likely deliver a more competitively neutral payments landscape, ensuring a broader range of participants and payment systems can be brought within the scope of the PSRA. We suggest the Government consider providing greater certainty as to the intended scope of the definitions of 'payment system' and 'participant' and what access to a 'payment system' means, either via amendments to the Bill or through the explanatory material. Making these amendments will ensure that the legislation meets the Government's policy objectives of being technology- and platform-neutral and ensure that the longstanding principles that the PSRA applied to traditional 'offline' payment systems and enabling infrastructure are applied to the rapidly evolving, technology-driven digital payments ecosystem.

PayPal also notes the submissions made by the Emerging Payments Association Asia and Australian Payments Network and as a member of both organisations, generally supports the positions outlined in those submissions.

Global approaches to payment system regulation

As in Australia, governments in markets around the world where PayPal operates have recently considered, or are currently considering, the regulatory frameworks which govern payments systems. PayPal notes the approaches in the United Kingdom and Canada in particular. In these markets, legislative approaches have broadly defined payment systems and participants to include infrastructure and arrangements under which payments or transfers of value are made, enabled or facilitated. For example, the *Canadian Payments Act 1985* defines payment system as a system or arrangement for the exchange of messages effecting, ordering, enabling or facilitating the making of payments or transfers of value. Legislative discussions currently underway on the European Union's proposed Payment Services Regulation and third Payment Services Directive will also consider the most appropriate means to foster the development of innovative payment services. We believe these developments in other markets are helpful to consider, in particular with respect to how the Australian regime will be implemented.

We welcome the opportunity to discuss our submission with you further. Please contact Holly Dorber, Director, Government Relations Australia (hdorber@paypal.com) for any queries concerning PayPal's position on these issues.

Yours sincerely



Peter Cowan
CEO, PayPal Australia