

4th October 2024

Scams Taskforce
Market Conduct Division
Treasury
Langton Cres
Parkes ACT 2600

Via Email: ScamsPolicy@treasury.gov.au

OK Group (APAC) Pty Ltd, (OK Group), welcomes the opportunity to provide feedback on the exposure draft legislation for the implementation of a Scams Prevention Framework. We support the overall draft legislation and principles and encourage careful consideration of the detail of the SPF codes that will be required to deliver the desired outcome. Our response focusses on SPF Principle 5, “Disrupt” and in particular the adoption of the Confirmation of Payee process in the banking industry and the minimum standards required. We also provide feedback regarding the multi regulator model and setting of the SPF codes.

The transfer of payment is where a scam often reaches its conclusion, and by that point, the victim's funds are already at risk. While many preventive measures can help protect against scams it is at this point of action that Confirmation of Payee (CoP) serves as a crucial final safeguard and warrants special consideration within the ecosystem.

Explanatory Notes - comments

Context of Amendments

1.17 In late 2023, all banks committed to implement a range of measures to improve scam protections and consumer outcomes through the industry led Scam-Safe Accord. Since its introduction, banks have reported a disruption of scams through a range of approaches. All banks, credit unions and building societies are deploying confirmation of payee technology through 2024 and 2025.

Our understanding to date is that the Confirmation of Payee solution currently offered in the marketplace by Australian Payments Plus is exclusive to NPP participants only. Banks, credit unions and building societies that are not NPP participants are excluded from this and is therefore not an industry wide solution for consumers or banks and will create weak links to be exploited. Hence this would not be considered an eligible ‘existing scam prevention framework’ that could be considered to be brought into the SPF to meet new obligations. (1.217)

As the NPP solution is being designed prior to any publication of any codes or regulations it may also fail to meet the necessary requirements. Also, since Australia’s large four banks are major shareholders and influencers of Australian Payments Plus, there are concerns that their market power could be used to limit competition.

The release of the RBA’s recent [Payments System Board 2024 Annual Report](#) highlights how critical BECS remains to Australia's payment infrastructure and the complex considerations in any potential migration. Concerns regarding the costs of transactions on the NPP compared to BECS have also been raised by a number of ADI’s. It is possible that both BECS and NPP will coexist for many years to come. This underscores the need to consider scam disruption measures across all available payment systems.

Summary of the new law

1.24 SPF codes will provide sector-specific and prescriptive obligations for each sector that are consistent with the SPF principles. SPF codes will not set out an exhaustive list of obligations to satisfy compliance with SPF principles. Rather, the SPF codes will include a set of minimum standards that may be directed at addressing sector-specific harms related to scams.

To date, the development of CoP has been driven by the banking industry, (specifically by Australian Payments Plus and their shareholders that include the big 4 banks,) which may have focused on its own interests rather than for all banks that include smaller banks. Furthermore, Government involvement through regulation can ensure that the solution is designed with consumers' best interests in mind now and for the future, rather than being solely influenced by the larger banks' commercial goals.

We would welcome a set of minimum standards to ensure that a fit for purpose CoP solution is adopted in the banking industry driven by Government.

Minimum standards, as stated in our earlier submission should include:-

- Centralised Data Model (Suggest that this be held by ACCC to provide access to other SPF sector regulators and approved CoP providers) with the ability to include government data sources and to add future relevant data sources of fraud observable data
- Have application across broader Government and industry sectors (KYC/Proof of Identity) and pre-payment checking.
- Solution for all payment platforms, BECS, NPP and ability to add further payment platforms in the future
- CoP check should be performed for every online transaction, not only new payees
- Confirmation of Payee provider should not be a bank or subsidiary of a bank to prevent anticompetitive behaviour or a possible perception of this.
- The solution should complement existing online and mobile banking systems and processes
- Agility for future improvements to the system should be easy to implement.
- The payment process must not be held up for the customer.
- The provider must offer data retrieval to banks in an agile framework to allow any Australian Bank to be able to access the information to suit their own infrastructure and technology.
- The provider must offer data contribution by banks in an agile framework to – solution must accept bank account names, payees name info for new accounts and update existing names in a way that allows any bank to deliver the information to the provider with a minimal internal technology.
- With the least amount of technology infrastructure to retrieve and deliver CoP
- Provider to offer affordable solution that does not restrict smaller banks from participation.

Efficient operation of the multi-regulator model

We welcome the ACCC as the SPF General Regulator bringing together the other SPF Sector Regulators.

With the setting of the SPF codes, we would recommend that the ACCC be heavily involved in the code setting process for each of the sectors to provide a thorough understanding of the details for each sector from the beginning and to ensure that each sector's regulations are informed by a consumer-focused and competition-based perspective.

Conclusion

Australia is positioned to develop a best-in-class scam prevention system that would benefit all consumers. For a CoP solution to provide superior protection against fraud and scams, the emphasis should be on adopting innovative technology and data solutions rather than relying solely on input from Australian Payments Plus and the major banks.

The proposal for a centralised data model reflects a need for a system that can accommodate various data sources to assist in verifying customer payment information both now and in the future. This type of model would likely be more scalable and adaptable to evolving technologies and should be set as a minimum standard.

Government has invested much effort to date and now has the opportunity lead the charge. The detail for the SPF codes, particularly for CoP, will be integral to successfully deliver the best outcome for all consumers.

Thank you for considering our input. We look forward to contributing to the ongoing dialogue on enhancing consumer protection against scams and would be pleased to offer further information as requested. We would also welcome the opportunity meet in person to share our vision and industry knowledge.

Regards,



Colin Porter
Chief Executive Officer | Founder
e: colin.porter@theokgroup.com.au m: 0417 088 876