

PAYMENTS SYSTEM REVIEW

MYOB Submission

December 2020

myob

Secretariat
Payments System Review
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Secretariat,

On behalf of MYOB, I'm pleased to provide the following submission in response to the Payments System Review Issues Paper.

MYOB welcomes the opportunity to make this submission and to provide the Secretariat with key input, assisting the Government to develop the right regulatory architecture that will underpin the future of Australia's payments system.

Our responses address several key questions raised in the Issues Paper regarding the regulatory architecture of Australia's payments system, in particular how it currently relates to business enablement and greater access to universal Consent Management.

I hope that you find the submission useful as the Government continues its review of existing frameworks. We welcome the consultation and look forward to the future outcomes.

If you require further information or have any questions, please contact Collette Betts at

[REDACTED]

Yours sincerely,



Andrew Baines
General Manager
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1. ABOUT MYOB

MYOB is a trusted business platform for 1.2 million small businesses and 40,000 accounting and bookkeeping partners across Australia and New Zealand. With a core purpose of helping more businesses in Australia and New Zealand start, survive and succeed, MYOB operates across four key segments: small and medium enterprises (SMEs), enterprise businesses, practices and financial services.

MYOB offers integrated financial solutions that help businesses of any size confidently manage the flow of funds. Businesses can get paid and pay others faster with in-built payment and invoicing options and for when it's needed, MYOB delivers clever cashflow options that allow SMEs to access additional funding to bridge the gap.

This is underpinned with rich visibility of a business' current and future financial situation. Transaction overviews tell the business what's owed, what's coming up and provides data-led predictions for cashflow needs in the future.

MYOB is deeply integrated with quality financial services partners to provide additional value to businesses, meaning they can manage all elements of their cashflow through MYOB.

MYOB seeks to enable small businesses to move to a cashless and digitally reliant operating paradigm. We see this goal as complementary to the Government's policy positions on small business digital transformation, reducing payment term periods, providing payment security to the small business supply chain and eliminating taxation leakage by addressing the black economy.

REGULATORY ARCHITECTURE

2. Does the regulatory architecture appropriately facilitate the development of an overall vision, strategy, and principles for the Australian payments system?

MYOB is aligned with the Issues Paper's assessment that as the Australian payments system continues to evolve at pace, the regulatory architecture needs to simultaneously adapt to meet the objectives of a competitive, resilient and efficient payment system, ensuring Australia is well placed to safely leverage the benefits of new technologies being developed.

MYOB agrees that the Australian payments system's regulatory architecture must be agile and responsive to technological advances that can help set the long-term direction for payments policy in this country. Thus, creating an environment in which businesses are able to meet regulatory requirements in a straight-forward and streamlined manner, and have the confidence and certainty to invest and develop new forms of payments technologies that are tailored to the needs of end-users.

However, MYOB believes the existing regulatory architecture is increasingly focused on the advancement of consumer payments (e.g. retail to consumer payments) and therefore hasn't been structurally established through the lens of business enablement for companies that manage cashflow, of which count for a significant portion of the flow of funds across Australia's economy.

Broader scope and consultation around the impacts of regulatory burdens within the wider business enablement ecosystem and its pass-through effects is highly recommended for any future regulatory development directly touching the Australian payments system.

3. How should our regulatory architecture be designed in order to balance the management of risk and efficiency in the payment system with the need for effectiveness for end-users?

MYOB supports the Government's efforts to find the appropriate threshold between risk and efficiency while delivering a more effective payments system for end-users.

MYOB welcomes the Review's determination to examine payments linkages with other key policy reform agendas that may overlap including Open Banking and the Consumer Data Right (CDR). While we understand that CDR may not specifically impact the payments system's architecture and regulation, MYOB agrees with the paper's assumption that it could have a significant impact on the technology and related services that consumers use when making payments.

Data ownership (evolution of liability models), Consent Management (a universal approach) and digital identity (existing framework integration) are several areas MYOB believes fundamental to creating efficiencies and greater cohesion across the payments system regulatory architecture. For example, expanding the scope of the CDR to incorporate Consent Management, which can be universally accessed by other regulatory initiatives such as the New Payments Platform (NPP), will significantly reduce compliance costs.

Advanced payment systems in jurisdictions such as Europe still lack key interoperability¹ in areas such as identity authentication, consent management and other crucial performance

¹ https://www.accenture.com/_acnmedia/PDF-102/Accenture-Open-Banking-Real-Time-Payments-Europe.pdf

standards, with European regulators calling on greater stakeholder cooperation and coordination across the continent's payments ecosystem of activities, increasing adoption and reach beyond critical mass. Equally, given local market complexities and the impetus to suitably advance regulatory settings here in Australia - Government must call on deeper collaboration holistically across the entire Australian payments ecosystem with an emphasis on business enablement.

4. What is the appropriate balance between self-regulation, formal regulation and government policy to ensure the payment system continues to work in the best interests of end-users?

MYOB supports Government initiatives such as the recently established Deregulation Taskforce that focusses squarely on ensuring, where regulation is required, it's implemented with lightest touch and is designed and applied in an efficient way, with least cost burden on businesses. Digital adoption by end-users right across the payments system is critical and must be at the heart of Government's solution for overcoming regulatory burdens faced by the payments industry.

Getting the balance right between industry self-regulation, regulators and the government is key to the resilience and stability of a fair payments system. In regards to industry self-regulation, the current make up of industry body representatives is very much skewed toward the incumbents and consumer/retail payments and while MYOB supports greater self-regulation across industry, the current governance structures create the risk of excluding a significant portion of the payments system; particularly in business enablement and flow of money.

MYOB agrees with the Productivity Commissioner's report² that Australia needs to develop a regulatory architecture regime to support the efficient entry of new participants in the payments system while curtailing the power of incumbents to block or complicate the participation of emerging payments players. For example, the NPP is a significant piece of national infrastructure and more transparency and rigour around the process for access is needed to avoid conflicts of interest that would potentially restrict competition.

5. Are there gaps (or duplication) in the current architecture that need addressing to ensure the system continues to work in the best interests of end-users?

With the regulatory agenda now back at the top of business priorities with particular focus on customer data protection, technical payment standards, interchange pricing and money laundering³, leveraging existing or new policy architecture as to not add more layers is highly recommended.

For example, CDR could be expanded to perform Customer Due Diligence (CDD), particularly where financial institutions can trust the CDD performed by another institution without an Anti-Money Laundering (AML) Agency agreement. This allows end-users to generate their own risk-based approach ensuring that the businesses could rely on the supplementary institution's CDD. This would potentially provide benefit right across industry and could significantly reduce the overhead cost of compliance, enriching the end-users' experience rather than having to continuously provide documents to numerous institutions and wearing the administrative costs of compliance.

² <https://www.pc.gov.au/inquiries/completed/financial-system/report/financial-system-overview.docx>

³ https://www.pwc.com.au/pdf/pwc_future-of-payments.pdf

Additional consideration regarding payments identity could be focussed on expanding the scope of the CDR to incorporate Consent Management, which can be universally accessed by other regulatory initiatives such as the NPP. MYOB welcomes the intended launch of additional NPP capabilities (e.g. 'on behalf of' payment initiation) due to be deployed next year, highlighting the critical component that relates to how consent is managed to initiate a payment, specifically the intersection of Consent Management in its relationship to CDR. MYOB considers resolving the overlap of both critical elements as key to the overall success of Open Banking and delivering its intended benefits.

6. How should the regulatory architecture be designed to best facilitate the coordination of participants and regulators to meet the requirements of end-users?

It is MYOB's recommendation Government increases its focus to consider business enablement and flow of money payments more acutely in their reassessment and development of future payment system regulatory architecture.

Furthermore, MYOB believes it is critical the Government develops a universal approach to Consent Management, one that's versatile and simplified for payment system end-users to directly integrate into ensuring consistent coordination and ease-of-use across the entire system.

MYOB stands ready and willing to support Government and contribute to the evolution of a robust and fully representative Australian payments system regulatory architecture.

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