

# A STRATEGIC PLAN FOR THE PAYMENTS SYSTEM

SUBMISSION TO THE TREASURY

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February 2023

## INTRODUCTION

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1. ANZ thanks the Treasury (**Treasury**) for the opportunity to comment on the *Strategic Plan for the Payments System* consultation paper (**Paper**).
2. ANZ welcomes the development of a strategic plan for the payments system (**Plan**). The payments system will benefit from a comprehensive, long-term strategy that provides clarity on the Government's policy objectives and priorities and supports a shared vision for the payments system.
3. To assist Treasury to achieve its policy objectives, we have made some observations on the Paper. These comments are made within the context of our overall support for the development of a Plan which provides a clear roadmap to maintain and advance Australia's world class payments system.
4. Our key points for Treasury's consideration are summarised below.

- **Reflect industry initiatives in the Plan**

We encourage the Plan to reflect planned and in-progress industry initiatives that help deliver policy priorities. This would provide awareness of industry work and would support sensible, efficient sequencing of Government, regulatory and industry initiatives.

- **Prioritise initiatives that promote a trustworthy payments system**

A safe, secure, reliable and resilient payments system provides the foundation for innovation, efficiency and accessibility. As such, we recommend prioritising initiatives that help underpin a trustworthy payments system. These include:

- Industry initiatives addressing scams, fraud, cybersecurity and system resilience
- Modernising the regulatory framework to appropriately capture all entities that play a material role in the payments system
- Modernising payments system infrastructure to support industry focus on developing *new* trustworthy, efficient, innovative and accessible payments infrastructure.

- **Align broader digital economy innovation with payments system developments**

We welcome a Plan that aligns digital economy developments, like CDR action initiation, with payments system developments to ensure efficient, consistent reform implementation.

- **Enable ongoing engagement between Government, regulators and industry**

While formal periodic review of the Plan would support holistic assessment of whether priorities and initiatives remain relevant, we encourage *ongoing* industry engagement to track progress and promptly identify emerging areas of focus.

5. We look forward to the next steps in Treasury's review and would welcome the opportunity to discuss the points in this submission if this would be useful.

## KEY POINTS

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### Reflect industry initiatives in the Plan

6. The Plan provides a unique opportunity to:
- Identify and prioritise initiatives that underpin further innovation and reform
  - Eliminate duplication, recognise dependencies and sequence initiatives efficiently
  - Set appropriate timelines to implement new initiatives based on a complete 'landscape' view of existing work.

To deliver these benefits the Plan should reflect planned and in-progress industry initiatives that help deliver policy priorities.

7. While delivering mandated payments initiatives requires planning for complex systems integration, for the benefits of these changes to customers to be fully realised it is equally important that planning addresses development of associated solutions and change management. We encourage the Plan to provide appropriate time to develop innovative customer propositions to complement mandated programs.
8. For example, Australian Payments Plus has compelled all New Payments Platform (**NPP**) participants to build functionality to enable customers to establish a 'payment mandate'. This enables customers to give billers and other third parties advance authorisation for payments to be processed from their bank account using NPP's 'PayTo' service. However, this is only of value to customers if PayTo payee solutions are widely available for billers and other third parties to initiate those payments. Implementing these complementary solutions involves the same resources and systems and, while not mandated or coordinated across industry, is required for end users to fully realise the benefits of PayTo.

### Prioritise initiatives that promote a trustworthy payments system

9. The Government's [\*Payment system review: From system to ecosystem\*](#) 2021 report (**Farrell Report**) recommended placing consumers and businesses at the centre of policy design and implementation.<sup>1</sup> A trustworthy payments system is essential for consumers and businesses.

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<sup>1</sup> Farrell Report, p. 17

10. The Paper identifies multiple initiatives supporting the key priorities. While we support these initiatives, we encourage the Plan to prioritise initiatives that help deliver a trustworthy payments system including:

- Initiatives addressing scams, fraud, cybersecurity and system resilience
- Modernising the regulatory framework to appropriately capture all entities that play a material role in the payments system
- Modernising payments system infrastructure to support industry focus on developing *new* trustworthy, efficient, innovative and accessible payments infrastructure.

#### **Initiatives addressing scams, fraud, cybersecurity and system resilience**

11. A whole of society approach is required to effectively address scams and fraud. The Plan should align with and reflect broader Government and industry scam and fraud response measures. It should prioritise initiatives to share intelligence to disrupt scams and fraud and coordinate responses.
12. Similarly, we support the Plan prioritising Government and industry cybersecurity initiatives like sharing cyber-threat intelligence including implementing the Australian Cyber Security Centre's Cyber Threat Intelligence Sharing requirements and reviewing the National Cyber Security strategy.
13. We encourage the Plan to recognise and prioritise other regulatory reform and industry initiatives that will help ensure resilience in the payments system. This includes ongoing work to ensure there is appropriate contingency in the payments system to respond to major incidents.

#### **Modernising the regulatory framework**

14. We support the Plan prioritising the extension of the regulatory perimeter of the *Payment Systems (Regulation) Act 1998* to capture all entities that play a material role in the payments system and implementing a tiered licensing framework for payment service providers. These initiatives can support accessibility, competition *and* safety in the payments system.
15. The payments licence should apply the same rules to payment functions based on associated system risk. As the Farrell Report recommended, this should include common access requirements and compliance with the revised ePayments Code and technical standards set

by authorised industry bodies.<sup>2</sup> We suggest that these activities are explicitly reflected in the Plan.

16. We support the Plan enabling collaboration between payment system regulators by endorsing the inter-agency payments forum as described in the Paper.<sup>3</sup> There may also be benefit for industry in designating a primary point of contact and coordination of regulatory activity for payments. This could support clear and efficient communications with industry.

#### Modernising payments system infrastructure

17. We support prioritising initiatives to modernise Australia's payments system infrastructure. Maintaining the safety and reliability of older, less functional payments infrastructure duplicates investment and diverts industry resources away from more modern, functional and innovative payments infrastructure.
18. As the Paper observes, the Plan can play a critical role in supporting a smooth transition away from legacy payments infrastructure to more modern, efficient payment methods.<sup>4</sup>

#### Align broader digital economy innovation with payments system developments

19. Payments adjacent initiatives like CDR action initiation, digital identity and the exploration of a policy case for central bank digital currency should be considered and sequenced in the Plan to optimise efficiency and interoperability.
20. We support the Plan considering interlinkages between CDR action initiation and the payments system. This would help facilitate consideration of how existing solutions like PayTo could be utilised to deliver payment initiation functionality.
21. Addressing CDR action initiation in the Plan could also assist sequencing of initiatives. For example, the Government's [\*Inquiry into Future Directions for the Consumer Data Right\*](#) final report (**Future Directions**) notes the ePayments Code should be adapted to ensure it is relevant to payments instructed through CDR.<sup>5</sup> The ePayments Code will be revised and mandated for all payments licensees as part of the single, tiered payments licensing

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<sup>2</sup> See Farrell Report, p. xiii – xiv. We note since May 2007, the Reserve Bank of Australia (**RBA**) and the Australian Payments Network (the industry association and self-regulatory body for payments in Australia) have had procedures for liaison on payments policy issues and have worked together to deliver benefits to payments users and the economy. ANZ supports the RBA having the power to "...authorise industry standard setting bodies (including the Australian Payments Network) to ensure that the technical standards are consistent with broader strategic objectives of the payments system" as noted by the Government in December 2021 in [\*Transforming Australia's Payments System\*](#) (**Payments Review**) at p. 10.

<sup>3</sup> Paper, p. 18

<sup>4</sup> Paper, p. 20

<sup>5</sup> It states the Code should treat authorised action initiators like others that the consumer properly authorises to give payment instructions on their account (Future Directions, p. 91).

framework.<sup>6</sup> Before payment initiation is implemented, this ePayments Code review should incorporate any adaptations required for CDR payment initiation.

22. As observed, trustworthiness is critical to a successful payments system. It is also critical to the success of the CDR regime. Future Directions recommends that an information security assessment be undertaken before introducing action initiation. The Government's [\*Statutory Review of the Consumer Data Right\*](#) (**CDR Review**) recommends that the Government consider undertaking a 'whole of ecosystem cyber security assessment to ensure the CDR cyber security architecture' is fit for purpose into the future. We recommend that these reviews are undertaken before action initiation is introduced. These reviews could be reflected in the Plan as key milestones.

### Enable ongoing engagement between Government, regulators and industry

23. We support formal periodic review of the Plan to consider whether the priorities and initiatives continue to align with the payments system strategic direction. However, conducting this review *annually* risks turning the Plan into a distinct program of work that diverts industry focus for a quarter of each year. We recommend that any formal review process is conducted on at least an 18-month cycle.
24. Ongoing collaborative engagement with industry would be helpful to track progress and promptly identify emerging areas of focus. This could be facilitated through an existing industry convenor like AusPayNet.<sup>7</sup>

**ENDS**

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<sup>6</sup> Payments Review, p. 9

<sup>7</sup> The **Farrell Report** recommended the appointment of a payments industry convenor to collaborate with regulators and industry to develop the strategic plan (p. 53).