

Director – Payments Strategy and Policy Unit  
Financial System Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

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Via email: [paymentsconsultation@treasury.gov.au](mailto:paymentsconsultation@treasury.gov.au)

## Treasury Consultation - A Strategic Plan for the Payments System

Dear Nghi,

Australian Payments Plus (**AP+**) supports the Government's ongoing efforts to update the regulatory architecture governing payments to ensure our regulatory framework is fit-for-purpose now and in the future.

AP+ is aligned with the Government's vision to maintain a world-class payments system that serves the needs of its users and participants while supporting Australia's economic growth. AP+ agrees that the ecosystem needs to be safe and efficient, open to competition, while also protecting Australians from scams and fraud.

We welcome the consultation on the Strategic Plan for the Payments System (**the Plan**). In the attachment to this letter AP+ has provided a response to each of the questions posed in the consultation paper, we make the following additional observations:

**1. Prioritisation:** The plan outlines a number of current and imminent initiatives impacting the payments ecosystem that requires both significant resources and time. This pipeline of deliverables is sizeable and with feedback from industry participants, it will likely become even more significant. The consultation paper does not detail how Treasury intends to develop and direct an orderly roadmap of government-mandated projects alongside the existing industry-led initiatives currently underway. Oversight and a level of direction, prioritisation and sequencing from Treasury of government mandated projects is critical to avoid the current problem of multiple competing projects in the payment ecosystem and in the digital economy, e.g., E-invoicing, CDR, SWIFT and HVCS ISO migrations. We would welcome detail within the final Plan that indicates how Treasury intend to prioritise and sequence government mandated system-wide projects (alongside industry-led) in the roadmap, whilst also leaving further additional space for individual participants to complete their own commercial projects so that they can continue to innovate and compete.

**2. Treasury Payment System Review:** AP+ remains a committed supporter of the recommendations arising from Treasury's 2021 Payment System Review. The review provides a pathway for Australia to update, grow and strengthen our payments system. AP+ has a concern about one small feature of the proposed Single Tiered Licensing Framework: in recommendation number 9. It remains the firm intention of AP+ to align behind the final Reserve Bank of Australia (**RBA**) Common Access Requirements without additional AP+ specific standards being applied to new (non-bank) payment service providers who wish to connect directly to AP+ infrastructure. This AP+ position is predicated on an effective regulatory oversight regime for some (non-bank) payment service providers who, due to their size and/or functions, introduce significant new risks for the operators of systemically important payment infrastructure; therefore we believe greater



regulatory oversight of these entities is needed (than is currently envisioned in recommendation number 9). This would align the proposed Australian licensing model to comparable overseas jurisdictions. AP+ will share our thinking with Treasury outside this consultation process with further explanatory detail and a proposed approach.

**3. Least Cost Routing (LCR) & LCR functionality for mobile wallet transactions:** AP+, as operator of the domestic payment rail *eftpos*, supports the continued efforts by the RBA to progress the rollout of LCR for in-store transactions, but cautions against a mandated technical approach to the delivery of LCR as we seek to avoid over prescriptive regulation of the payments system relative to the benefits sought. In particular, AP+ does not support mandated dynamic-routing as these solutions are deeply complex and expensive to implement relative to other highly suitable alternatives like rules-based routing. AP+ are firmly of the view that the current approach by the RBA on LCR for in-store transactions, namely merchant choice, at portfolio level, is currently the right course of action to ensure a fast, low cost, reliable and competitive payment system.

Further, AP+ supports the RBA's ambition to have LCR functionality for mobile wallet transactions (at point of sale or in-app/ecommerce) operational by the end of 2024. The AP+ view is that it is also critical for regulators and industry to take the time to properly design and test customer UX flows for mobile wallet transactions, particularly the UX for 'consumer choice', in order to ensure that the Government and RBA's policy intention for LCR is not undermined by the way that consumer choice is designed and implemented on a mobile device. AP+ has begun work on some draft principles, and potential customer UX flows that relate to consumer choice. It is our intention to provide the RBA and other involved parties (e.g., issuers, original equipment manufacturers (OEMs)) with the results of this analysis.

**4. Action initiation in the CDR:** AP+ welcomes Treasury's considered approach on how best to facilitate payment initiation in the CDR. AP+ agrees with the views expressed by Dr Farrell and Treasury that the making of the payment and transfer of funds should rely on existing payment systems and remain outside the scope of CDR. In addition to the benefit of established scheme rules that cover liability and contain robust consumer protections, this would enable flexibility to utilise and build on existing developments in the payments system, including PayTo and facilitate the use of digital identity solutions for authentication. Using existing payment specific technologies which have inbuilt fraud prevention and scam detection processes, is likely to yield better consumer outcomes and build trust in the CDR. The approach will also enable the utilisation of existing investments rather than industry incurring significant new costs to build a duplicative technology solution that would sit on the same payment rails.

**5. Digital Identity solutions:** Given the focus in the Plan on scam prevention, an interoperable national digital identity ecosystem is a critical component of a safe, competitive, dynamic, and innovative payment ecosystem. AP+ is a committed supporter of both the ongoing review of the Privacy Act and the work of the Digital Transformation Agency (DTA) and will engage with the next iterations of the Trusted Digital Identity Framework (TDIF) and the Attorney General's Privacy Act Review. A successful national digital identity ecosystem relies on a robust and modernised privacy regime, a modernised and technology-neutral legislative framework for the 100-point personal identification check, TDIF interoperability and mutual recognition of and reliance on digital credentials across and between the public and private sector.



The Strategic Plan represents a very important step in ensuring we have a modern and robust payment system that delivers for the Australian economy and the Australian people. AP+ has committed resources to assist the Government, Treasury and the RBA in any way possible.

Yours sincerely,

Lynn Kraus  
Chief Executive Officer

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*Australian Payments Plus (AP+) brings together Australia's three domestic payment providers, BPAY Group, eftpos and NPP Australia, into one integrated entity. Operating in the public interest, AP+ is a member-owned organisation. Members include banks, some of the country's largest merchants, payment service providers and payment processors.*

*The AP+ integrated product roadmap includes new offerings that support opening the domestic payment flow, connecting next generation experiences to traditional payments infrastructure, driving innovation through QR payments, building open wallet infrastructure and a national trusted identity exchange.*



## AP+ response to consultation questions

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

AP+ considers the proposed key principles to be sufficient. The key principles are logical and clear.

### 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.

AP+ considers the proposed key priorities logical and clear. AP+ would recommend one additional priority be considered which will ensure that Treasury creates an efficient and orderly transition for the payments industry under the Plan that priority would be “Prioritisation and Sequencing”.

We make this recommendation as the consultation paper does not yet contain detail on how Treasury intends to develop and direct an orderly roadmap of government and regulator mandated projects alongside existing industry-led initiatives. Oversight and a level of direction and prioritisation from Treasury and regulators of government and regulator mandated projects is critical to avoid the current problem of multiple competing projects in the payment ecosystem and digital economy. Therefore, the Plan should detail how Treasury intend to prioritise and sequence government and regulator mandated system-wide projects in the roadmap, whilst also leaving additional space for individual participants to complete their own commercial projects so that they can continue to innovate and compete.

### 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.

AP+ support the key initiatives as outlined, and makes the following recommendations on other initiatives that could be included in the Plan:

#### **The Trusted Digital Identity Framework (TDIF) and the Attorney General’s Privacy Act Review:**

An interoperable national digital identity ecosystem is a critical component of a safe, competitive, dynamic and innovate payment ecosystem therefore it should be considered for inclusion in the plan and roadmap as a key milestone. AP+ is a committed supporter of both the ongoing review of the Privacy Act and the work of the Digital Transformation Agency (DTA). A successful national digital identity ecosystem relies on a robust and modernised privacy regime, a modernised and technology-neutral legislative framework for the 100-point personal identification check, TDIF interoperability and mutual recognition of and reliance on digital credentials across and between the public and private sector.

**LCR functionality for mobile wallet transactions:** AP+ supports LCR functionality for mobile wallet transactions (at point of sale and in-app/ecommerce) and supports the RBA’s ambition to have this functionality operational by the end of 2024, therefore it could be considered for inclusion in the plan and roadmap as a key milestone, together with other components relating to LCR.

**Modernising SuperStream regulations:** The Superannuation industry has invested significantly in the ongoing development of SuperStream solutions to ensure the efficient processing of certain superannuation payments defined in the SuperStream legislation. The SuperStream regulations



should now be expanded, modernised and be made technology-neutral and payment platform agnostic to reflect the availability of real-time data-rich payments systems which can process all types of superannuation payments (not just SuperStream payments) in real-time, thereby providing competition, choice for employers and instant payment of superannuation for ordinary Australians. Such reforms would align to the Government's Digital Economy Strategy and build on past policy reforms such as Single Touch Payroll. As well as delivering benefits for industry participants and end-users, this change is necessary to support the Plan's ambition to retire legacy payment systems.

**4. Do you have any feedback on the proposed approach for any of the initiatives (as outlined in Attachment B)? Please provide an explanation.**

AP+ supports the proposed approach for the initiatives, we make four observations:

First, AP+ welcomes the considered approach on payment initiation in the CDR— AP+ agrees with Treasury that *"to enable this to work effectively, the interaction between the CDR framework and payment systems should be considered to optimise efficiency and interoperability"*. The AP+ view is that there are significant benefits in utilising existing infrastructure in the payments landscape, such as PayTo, for CDR payment initiation. PayTo is designed to deliver a secure and seamless experience to consumers and merchants, with a fully developed rules framework, fraud detection capabilities and importantly for consumer protection - a robust liability model. As a whole-of-economy payments infrastructure already in market that enables secure and safe payment initiation, the use of PayTo should be a key solution considered by Treasury when it comes time to extend the CDR framework to include payment initiation. It is expected that a majority of Australians will have PayTo enabled on their accounts by April 2023.

Second, and as stated in our cover letter, AP+ remains a committed supporter of the recommendations arising from Treasury's 2021 Payment System Review. The review provides a pathway for Australia to update, grow and strengthen our payments system. AP+ has a particular concern about one critical design feature of the proposed Single Tiered Licensing Framework (Recommendation number 9). It remains the firm ambition of AP+ to align behind the final RBA Common Access Requirements without additional AP+ specific standards being applied to new (non-bank) payment service providers who wish to connect directly to AP+ infrastructure. This AP+ position is predicated on an effective regulatory oversight regime for some (non-bank) payment service providers who, due to their size and/or functions, introduce significant new risks for the operators of systemically important payment infrastructure and therefore may need greater regulatory oversight. AP+ will engage with Treasury separately outside this consultation with further explanatory detail and a proposed approach.

Third, AP+ is supportive of the Treasury plan of a roadmap for mandating the ePayments Code as part of the new payments licensing framework. Designed well, it could be a tool to apply consistent consumer protection obligations to holders of the new payments licence. AP+ fully agrees with Treasury that the current ePayments Code would need to be substantially revised before it could be considered suitable for mandating as part of the licensing regime. AP+ will engage in that future consultation.

Finally, the Government's coordinated approach to scam prevention and the funding for the ACCC to establish a National Anti-Scam Centre is a welcome and critical element to disrupt scams and coordinate scam responses. It is recognised that public-private partnerships are the best line of



defence as no single technology, entity, industry, or government department has the ability to prevent scams in isolation. Today, the AP+ PayID solution (offered by over 100 financial institutions) helps prevent payment misdirection scams by displaying the linked business/account holder name on the payment confirmation screen. AP+ also continues to look at other scam prevention solutions, including the 2023 launch of ConnectID a bank-backed, national trusted identity exchange to prevent identity theft. AP+ would welcome the opportunity to participate in the ACCC National Anti-Scam Centre alongside telcos, device manufacturers, digital platforms, law enforcement, government, and financial institutions.

**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?**

Australia's payments system has expanded in size and complexity. New technology, business models and participants are providing increased transaction convenience and more payment methods.

In addition to the earlier AP+ recommendation that the Plan should detail how Treasury intend to prioritise and sequence government and regulator mandated system-wide projects in the roadmap; for a world-class payments system that is safe, efficient and open to competition, AP+ is also of the view that the Plan needs to include important adjacent policy reforms alongside industry led initiatives, for example:

**The Trusted Digital Identity Framework (TDIF) and the Attorney General's Privacy Act**

**Review:** An interoperable national digital identity ecosystem is a critical component of a safe, competitive, dynamic and innovative payment ecosystem therefore important reforms such as the above should be considered for inclusion in the plan and roadmap as key milestones.

**LCR functionality for mobile wallet transactions:** AP+ supports LCR functionality for mobile wallet transactions (at point of sale and in-app/ecommerce) and supports the RBA's ambition to have this functionality operational by the end of 2024, therefore it could be considered for inclusion in the plan and roadmap as a key milestone.

**Legacy Payment Systems:** Treasury should include, as a milestone, the program of legislative updates to Commonwealth Acts and regulations that is required to allow legacy payment systems to be retired. Further, once industry-led efforts to transition away from legacy systems determine the dates for the retirement or replacement of any legacy payment system to safer and more efficient alternatives, these dates should also be reflected as milestones in the Plan.

**Government Payments:** As the largest sender and receiver of payments, the government has an important role in enabling their departments and agencies to modernise their payments processing - which will support the transition to more modern infrastructure. This was recognised in the Treasury's 2021 Payments System Review<sup>1</sup> which recommended that the government should leverage its position as a large user of the payment ecosystem to support broader payments policy objectives. A key component of the Plan would be the government's specific plans for modernising their own payments processing. The availability of new payment system capabilities has enabled the government to make immediate payments at any time on any day. This capability has been demonstrated during the bushfires and pandemic when government payments were able to be made

<sup>1</sup> Payments system review, From system to ecosystem. June 2021. Available at: [Payments system review: From system to ecosystem \(treasury.gov.au\)](https://www.treasury.gov.au)



seamlessly in real-time. These real time payment options have proved to be extremely important in everyday usage, but even more so during crisis situations when ensuring funds are received without unnecessary delays is critical.

**NPP International Payments Business Service:** This service will allow the final Australian dollar leg of inbound cross-border payments to be processed through the NPP. As Australia's real-time payments platform, the NPP offers instant processing of transactions on a 24/7 basis, speeding up payment times. The industry committed to providing this new service by 1 December 2023<sup>2</sup>. This date should be reflected as a milestone in the plan, given this will be an important foundational step in delivering faster cross-border payments and providing opportunities to link up with other global cross-border initiatives (see next).

**Cross-border SWIFT and HVCS ISO migrations:** AP+ supports the work of AusPayNet to migrate the messaging that underpins the High Value Clearing System (**HVCS**) to ISO 20022. AusPayNet notes the change will impact nearly 50 banks operating in Australia, and hundreds or even thousands of systems over the next two to three years and beyond. Migration of HVCS to ISO 20022 messaging will lead to richer and enhanced messaging with content harmonised with both cross-border and NPP formats. Australia's implementation is aligned with SWIFT's global schedule for the migration of cross border payments to ISO 20022. An almost two-year period of coexistence of using HVCS's current MT messages and the new ISO 20022 messages commences in March 2023 with full migration by the end of 2024. This is a significant industry led project and should be reflected in the roadmap.

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

AP+ agrees with the Treasury approach of a periodic review of the Plan. It is imperative, given the speed of innovation in this sector that the strategic plan remains both up-to-date and relevant. To achieve transparency, a report on progress on the different initiatives should be included. However, to be useful, we recommend that the review process should be over an 18-month period as the suggested 12-month review cycle may be too short to see significant progress. Lengthening the review cycle should not preclude the making of pragmatic prioritisation decisions mid-cycle, if necessary.

The Plan should include some commentary on how Treasury and payment regulators have prioritised and sequenced government and regulator mandated system-wide projects alongside existing industry led projects in the roadmap.

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

The Plan should also include a section that details all relevant legislative and regulatory changes that were passed (including those not yet in effect) that could have an impact on the allocation of resources in the payment, technology and financial services industry.

<sup>2</sup> NPP Australia, (2022), 'NPP Roadmap', October 2022. Available at: <https://hppa.com.au/wp-content/uploads/2022/11/NPP-October-2022-Roadmap.pdf>



Akin to the UK Regulatory Initiatives [Grid](#) published<sup>3</sup> by the UK Financial Conduct Authority (FCA), the Strategic Plan Roadmap should set out the regulatory and policy pipeline for the Payments Ecosystem. E.g., LCR for mobile wallets, the review of the Privacy Act 1988, the SWIFT ISO 20022 migration, etc. Publishing an Australian Payments System Grid will help manage the operational impact on stakeholders implementing initiatives in the payment system. It also helps stakeholders plan and fund for forthcoming initiatives that may have an operational impact on them or their partners (including regulators, operators and participants) in the payments ecosystem.

The UK version of the Grid provides detail on the timing of initiatives over a 24-month horizon and highlights key examples of closely interconnected initiatives to help stakeholders easily identify these. The Australian version for the Payments System should have the same horizon.

<sup>3</sup> UK Financial Conduct Authority (FCA) Regulatory Initiatives Grid. Available at: [Regulatory Initiatives Grid | FCA](#)