

Blockchain Australia

c/o Hall & Wilcox

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525 Collins Street, Melbourne VIC 3000

6th February 2023

Payments Policy and Strategy Unit

Financial System Division

Treasury

Langton Cres Parkes ACT 2600

Australia

Dear Director,

Thank you for the opportunity to respond to the Strategic Plan for the Payments System: Consultation Paper. We are appreciative of the government's efforts to ensure Australia's payment infrastructure remains fit for purpose by increasing its resilience and ability to embrace new forms of payment.

In responding to this consultation Blockchain Australia on behalf of its members seeks to ensure that any changes proposed by government support the following objectives:

- Encourages innovation and ongoing investment into the payment architecture
- The regime facilitates the adoption and use of Blockchain
- Provides appropriate investor protection
- Deals with both institutional and retail users

The incorporation of Blockchain into the strategic payments infrastructure roadmap (where appropriate) is critical. In our view, excluding crypto payments from the framework would result in participants developing and using crypto payment infrastructure that the government would not be able to regulate in circumstances where it is appropriate for it to do so.

Blockchain based payment networks have the benefit of reducing counterparty risk through the incorporation of smart contracts designed to ensure only payments that meet the criteria of the transacting parties can be executed. JP Morgan is using this technology to enable services that support advanced payment types like DvP (Delivery versus Payment), Pvp (Payment versus Payment) and machine to machine payments.¹

¹ <https://www.jpmorgan.com/onyx/coin-system.htm>

As discussed in our detailed response we believe that when considering recommended changes to the payment system, the Treasury looks at the underlying principles being developed in foreign markets. The incorporation of CBDCs and other crypto assets into traditional global payment infrastructure is evolving at a rapid pace and it is critical that any changes to Australian regulations are compatible with those in other developed markets.

The other key points we would draw to your attention are the need to:

- Differentiate the registration and treatment of Crypto Products versus the Payments System. The former is being dealt with in the governments token mapping exercise.
- Differentiate between stablecoins (including CBDCs) and other crypto assets.
- Ensure a consistent use of terminology amongst different government bodies when referring to blockchain and digital assets (including cryptocurrencies). Stablecoins now represent a material portion of digital assets with \$140b in stablecoins in circulation today². Fiat-backed stablecoins represent 91.7% of this amount, and nearly all are pegged to the U.S. dollar.
- Incorporate feedback from the government's current token mapping exercise. The outcome of this will need to be taken into account in developing a Strategic plan for the Payment System.

We would welcome the opportunity to meet with the Treasury to discuss any matters in our submission or the broader cryptocurrency evolution.

Please direct any questions you may have to:

Gordon Little

[REDACTED]

Or

Amy-Rose Goodey

[REDACTED]

² Coinbase Institute Stablecoins Whitepaper July 2022
<https://assets.ctfassets.net/c5bd0wqjc7v0/79db1PxjBTv1JbL574fFvA/dc38c8c96dc97c3752fd81a61d0f134a/CBI-StablecoinWhitepaper-July-2022.pdf>

About Blockchain Australia

Blockchain Australia is the peak industry body representing Australian businesses and business professionals participating in the digital economy through blockchain technology. Blockchain Australia encourages the responsible adoption of blockchain technology by the government and industry sectors across Australia as a means to drive innovation and create jobs in Australia.

The Blockchain Australia membership base consists of 120+ leading cryptocurrency and Blockchain-centric businesses and 100+ individuals across multiple verticals, including:

- Accounting and Taxation
- Artificial Intelligence
- Art
- Banking
- Building & Construction
- Cyber Security
- Development
- Digital ID
- Education
- Energy and Resources
- Entertainment
- Gaming
- Health and Wellbeing
- Insurance
- Investment
- Legal
- Professional Services
- Recruitment
- Real Estate
- Risk and Compliance
- Supply Chain
- Venture Capital

The sector contributes AU\$2.1 billion, employs approximately 11,600 people ([Source](#)) and with support from government and natural market growth, these figures could increase to AU\$68.4 billion and over 206,000 people employed in the sector. To ensure Australia realises these opportunities, we seek a fit for purpose, technology-neutral, regulatory framework with clear guideposts for consumers and a focus on driving innovation and investment.

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| <p>Key principles</p> | <p>1. What are your views on the proposed key principles? Are there other principles that should be included? Please provide an explanation.</p> |
| <p>Insert Comment Here</p> | <p>We agree with the proposed Key Principles and have not identified any additional items. However, we would add that the principle of Efficiency should include a legal framework that defines terms (including terms like “legal tender”, “money”, “property” and digital asset terms) consistently with other legal frameworks, and in light of current payment methods, including new digital asset-related payment methods. This creates legal certainty which in turn generates efficiency. That said, the definition of Digital Currency in the AML/CTF Act 2006 is out-of-date. We refer you to Treasury’s token-mapping exercise and the submissions made in response to the Treasury consultation paper released in March 2022 titled “Crypto asset secondary service providers: Licensing and custody requirements.”</p> |
| <p>Key priorities</p> | <p>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.</p> |
| <p>Insert Comment Here</p> | <p>While we agree with the stated priorities we would also like to include an additional priority around “inclusiveness”. With the increased adoption of digital only payment options it has become a necessity (and possibly a right) of all citizens to have access to digital payment capabilities (bank account). Receiving payments from employers, government agencies and increasingly payment for services such as rent and utilities can usually only be completed digitally. As such it is crucial that the changes to the payment system contemplate a right of access for all.</p> |
| <p>Key initiatives</p> | <p>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.</p> |
| <p>Insert Comment Here</p> | <p>We do not have any comments about the proposed initiatives.</p> |
| <p>Key initiatives</p> | <p>4. Do you have any feedback on the proposed approach for any of the initiatives (as outlined in Attachment B)? Please provide an explanation.</p> |
| <p>Insert Comment Here</p> | <p>We recommend specific initiatives and allocation of resources to work with other developed countries on the regulatory and payment frameworks to ensure global alignment and consistency.</p> <p>Ongoing interoperability with global payment infrastructure and standards is critical to a safe and robust payment strategy. Lack of alignment will force</p> |

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| | <p>participants to adopt payment alternatives that may fall outside of the gates and safeguards in place. We refer you to the proposed payment aspects of the European regulations on markets in crypto assets (MiCA): https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2022)739221</p> |
| | <p>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?</p> |
| Insert Comment Here | <p>We have not identified any conflicts between milestones.</p> |
| Process for reviewing the Plan | <p>6. What are your views on the proposed review process and engagement arrangements? Please provide an explanation.</p> |
| Insert Comment Here | <p>The review process is consistent with previous consultations of this nature and seems to have the appropriate level of engagement. Given the rapid evolution of the payment landscape we are supportive of the government adhering to the proposed timing for delivering a strategic plan.</p> |
| | <p>7. Are there any other sections or topics that you would like to see added to the Plan? Please provide an explanation.</p> |
| Insert Comment Here | <p>To ensure international interoperability of the strategy we recommend that dedicated resources who understand the digital asset domain be appointed and given mandates to engage and influence other international bodies including:</p> <ul style="list-style-type: none"> Financial Action Task Force (FATF) The BIS - Committee on Payments and Market Infrastructure (CPMI) International Organization of Securities Commissions (IOSCO) Group of 20 (G20) Financial Stability Board (FSB) Committee on Payments and Market Infrastructure (CPMI) |