

10 February 2023

Mr Taylor Black  
Director, Payments Strategy and Policy Unit  
Financial System Division  
The Treasury

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

Dear Mr Black

### **Strategic Plan for the Payments System**

COBA appreciates the opportunity to contribute to the Government's consultation on a Strategic Plan for the Payments System.

COBA is the industry association for Australia's customer owned banks (mutual banks, credit unions and building societies). COBA members are an important part of Australia's payments system, providing a wide range of payment products and services to 5 million customers. Collectively, our sector has over \$160 billion in assets and is the fifth largest holder of household deposits. Customer owned banks account for around three quarters of the total number of domestic Authorised Deposit-taking Institutions (ADIs) and deliver competition and market leading levels of customer satisfaction in the retail banking market.

#### **Key points**

Treasury should coordinate payments reform with broader regulatory initiatives to maximise the likelihood of efficient and effective implementation.

Treasury should consult to understand cyber risks before lowering the costs and barriers to entry for payment service providers.

Treasury should consider the unique position of smaller ADIs when designing reforms, including the nature of commercial partnerships in this part of the banking sector.

### **Regulatory Coordination to maximise effectiveness**

COBA agrees that Australia's payments system has expanded in complexity and with that as transaction convenience and payment methods advance, so do the risks and complexity in the system. The payments system forms a pivotal part of Australia's economy especially important for the functioning of the financial system so the Plan's goal of coordinating decision-making between government, regulators, industry, consumer and business representatives is very welcome. This will allow for effective coordination and information sharing and reduce the likelihood of duplicative outcomes.

COBA urges Treasury to consider all the various implementation projects that ADIs are subject to in the payments and technology space and coordinate with regulators and other payments stakeholders in order to provide enough time and resources for ADIs to meet their obligations.

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## **The Plan's initiatives**

Treasury's consultation paper notes a reform agenda that looks at implementing a tiered licencing framework for payment service providers and accessibility has been identified as one of the key principles in the Plan. While we support the lowering of barriers to entry for payment service providers where it benefits consumers, information security protocols and accreditation standards must not be unnecessarily compromised in this endeavour.

The functioning of Australia's banking system is dependent on a secure cyber environment. COBA members are acutely aware of the increasing risk posed by the evolving nature of cybercrime and responding to this risk is a high priority for our sector. Our members dedicate considerable resources towards maintaining and developing defences, and ensuring they are compliant with existing cyber security obligations under the various frameworks.

Banks are trusted providers of payments and associated services by Australian consumers and this trust must be protected especially in a time of rising cyber risk and scam activity. Treasury must undertake consultation with industry and all the various regulators like ACCC, OAIC and AUSTRAC before lowering the barriers to entry for payment service providers.

The consultation paper outlines a priority to promote a safe and resilient payments system in Australia, which we support and as part of that recognises the role of the ePayments Code being mandated. ASIC recently completed its extensive review and update to the ePayments Code in which COBA and its members were significantly involved. Treasury must consider the outcomes from ASIC's consultation and as noted in Treasury's paper, provide an extensive roadmap for mandating the ePayments Code in order to not duplicate regulatory burden and compliance costs for current subscribers to the Code.

## **Draft Roadmap and implications for smaller ADIs**

We welcome Treasury's draft roadmap as it will help our members plan for regulatory and systems change and allocate resources to compliance accordingly. Although we appreciate the timelines presented, it would be useful for the roadmap to have as much detail as possible around changes that can be expected in the regulatory architecture to allow for appropriate implementation arrangements.

As the industry association representing a diverse group of smaller ADIs with limited resources, Treasury and policymakers must consider the unique position of smaller ADIs when designing reforms to the payments system. COBA members provide much needed competition in the banking market and most rely on outsourcing to obtain efficiencies and economies of scale. This is particularly evident in their use of core banking systems and important in relation to access to the payments system.

COBA members have a distinct interdependence with third-party service providers, and this must be accounted for when regulation is designed. It is also important to consider the cost and time of transition from legacy systems like cheques and Direct Entry to newer platforms as it requires significant upfront investment to support interoperable efficiency. This cost can be quite significant for smaller ADIs and as a majority of COBA members are based in communities outside major capital cities serving regional and remote Australia, must be supported and provided enough time to continue to be able to facilitate access to payment systems for these communities.

Where the reforms to the regulatory architecture are technical and elaborate as outlined in the Plan, with coordination required between multiple regulators and stakeholders, it is important to optimise consultation for all relevant stakeholders and provide adequate transition periods for ADIs.

We look forward to engaging with Treasury in the continued consultation of reforms to the Payments system. Thank you for taking our views into account. Please do not hesitate to contact Esther Rajadurai ([REDACTED]) if you have any questions about our submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Michael Lawrence', with a stylized flourish at the end.

**MICHAEL LAWRENCE**  
Chief Executive Officer