



Director – Payments Strategy and Policy Unit
Financial System Division
The Treasury
BY EMAIL: paymentsconsultation@treasury.gov.au

A Strategic Plan for the Payments System - Treasury Consultation Paper

RESPONSE FROM STRIPE

February 2023

Overview

Stripe is writing in response to the request from the Australian Treasury for industry comments on the Government's consultation paper on the proposed Strategic Plan for the Payments System referred to as ("the Strategic Plan" below), to ensure that Australians can continue to transact in a safe, secure, and efficient payments environment.

Stripe strongly supports the Treasury's commitment to creating a Strategic Plan for the Payments System as a critical step in providing direction and clarity for the industry, which will provide the basis for another chapter of innovation and growth. It is widely recognised that, with the rapid acceleration in the internet economy and digital payments through the COVID-19 pandemic, the Australian payments landscape has become more complex and fragmented. That has created new challenges and opportunities for the government and regulators.

For Australia to seize the opportunity to further build its position as a leader in digital payments, the proposed Strategic Plan should create a framework to guide the future



development of the payments ecosystem in ways that drive growth, innovation and security.

We welcome the provision of the draft Strategic Plan for consultation. In particular, Stripe encourages the Government to focus on the following main priorities:

- **Ensuring the foundations of the payments system remain strong** - by implementing initiatives such as open banking and broadening access to central bank infrastructure, in a way that maximises the benefits to innovation, competition and consumer choice.
- **Enable Australia to make the most of the opportunities presented by the online economy** - by pursuing policy measures that facilitate its growth and provide easy access to the internet economy for businesses and consumers.
- **Ensuring domestic and international competitiveness** - by fostering and maintaining a regulatory regime that stimulates innovation, supports the development and deployment of new technologies, and encourages market-based solutions in the payments sector.
- **Creating the conditions for international connectivity** - by ensuring Australia contributes to the development of efficient, secure and accessible cross-border payments, and pursuing a domestic and international policy approach which supports strong connections and a high degree of interoperability with payments systems in other jurisdictions, including those in high growth Asia Pacific markets.

Stripe's response to the Consultation Paper

1. Key Principles and Priorities

- We welcome the focus on the **accessibility** of payments infrastructure and the focus on removing barriers to entry. In Stripe's experience, diversity in payment options is also good for the resilience of the wider financial system and reduces



concentration risk. For our part, Stripe is payment method agnostic. By enabling merchants to give customers their choice of payment options, we help businesses to grow, to reach customers across the globe, and boost conversions in other countries. The most important driver of payment method adoption is ease of integration for merchants, which in turn facilitates a seamless experience for consumers and thereby enables consumer adoption. In our view, the Government should create the conditions for the market-driven uptake of payment methods so consumers can pay how they choose and merchants can offer seamless payments experiences that support local and global business growth, achieve higher productivity and reach customers across the world.

- We would encourage the Government to consider making explicit the principle that creating an environment which fosters **innovation** will require that regulation be proportionate and targeted. Whilst this may be implied in the Priority of the regulatory framework being 'fit-for-purpose', we would encourage it being made explicit.
- We also believe it is worth expressing the principle that regulation be **technology agnostic**, focusing on outcomes rather than inputs. In our experience, the best consumer outcomes are facilitated by a principles-based, risk-based approach.

2. Key Initiatives (Figure 1, page 12, Attachment B)

Supporting Initiatives

Promote a safe and resilient payments system

- We fully support the objective of ensuring a safe and resilient payments system. On the recommendation that **the existing ePayments Code be made mandatory** as part of any new licensing framework, we would encourage the Government to consider carefully whether and how the Code in its current form is applicable to the diverse set of payments players which are likely to fall under the new proposed licensing regime. It is important to ensure that the Code - which was designed to empower industry - reflects the diversity of the industry and differences in business models before it is mandated.

Ensure regulatory framework is fit for purpose and promotes competition



- We understand that each of the initiatives in the Strategic Plan will be accompanied by its own consultation process to work through the details. One area where significant thought will need to be given, is regarding the checks and balances that are appropriate for a **ministerial designation power**. Given the material impact and long lasting nature of such a power, it is important that there are prescriptive and transparent safeguards around what can be decided and how, as well as the ability to seek recourse in the event of unintended consequences, to ensure that over time there is no slippage in purpose and scope.
- In developing a new **payments licensing framework**, we would encourage the government to future proof any framework by ensuring the framework allows for rapid innovation in the payments space and accommodates businesses that do not provide services that fit easily into fixed categories. As businesses innovate and blend service offerings to meet the needs of merchants and consumers, it will be hard to define payments services providers neatly into tiers or categories.
 - a. Any new licensing framework should expressly accommodate diverse, blended and new offerings rather than being too prescriptive or imposing undue regulatory burden.
 - b. A broad licensing regime with a comprehensive suite of payments offerings for which licensees elect to be permissioned in various combinations (and can change over time) is a useful model
 - c. Any new licensing regime should be transparent and time bound
 - d. We would be interested in how the Australian authorities might recognise the licensing and regulatory supervision of multinational corporations by other, comparable jurisdictions to Australia.
- We strongly support the objective of **enabling greater collaboration between payments regulators** and support the creation of an inter-agency payments forum. Streamlining government coordination should be focused on reducing, not increasing, the regulatory burden on companies.
- The proposal to **open access** to Australian payments systems to payment providers who do not hold an Authorised Deposit Taking Institution licence (provided those players can mitigate operational, financial and systemic risk) is positive and will facilitate increased access and competition between payment service providers.
- We support the objective of **reducing small business transaction costs**, including through the creation of a more competitive payments sector, with increased diversity of payment methods, business solutions which drive efficiency and a variety of service providers, as well as least cost routing. Payment costs should



not be considered in isolation from the wider value of innovation in payments applications which deliver significant benefits to merchants, such as sophisticated fraud management tools.

- We also suggest further consideration be given to **how transparency should operate in payments**. In our experience, as transactions have become more complex, the actors involved can become harder to ascertain. In parallel, data attached to transactions needs to become richer, whilst balancing security considerations. In our view it would be beneficial to include a principle that, where appropriate, transactional data should be cumulative as it passes from one provider to another, rather than truncated.

Alignment with the broader digital economy transformation

- We welcome the explicit recognition that work in payments must align with work on the **Consumer Data Right (CDR)** Action Initiation. This will be of critical importance in avoiding creation of further complexity and streamlining and boosting opportunities for innovation and growth.
- Stripe exists because of the need for faster, more inclusive, more efficient, payments, domestically and across borders. We believe **CBDCs** will be an integral part of the payments ecosystem before the end of this decade because this is ultimately in the interests of business. To achieve the potential of an Australian CBDC, policymakers, regulators and industry should continue to collaborate to ensure the future needs of users are reflected in the design principles for the CBDC. We look forward to the results of Australia's CBDC pilots.

Modernise payments system infrastructure

- We would suggest including **further milestones in the Strategic Plan, including key dates - for example on the decline of cheques; the deprecation of BECS; and progress on Digital Identity**. These are all aspects of payments that shape the operating environment and Government leadership on these milestones would be appropriate and help drive action.
- As a global company, Stripe strongly supports efforts to promote interoperability through international standards and initiatives to simplify and reduce friction in cross border payments, including through the **G20 "Roadmap for Enhancing Cross-border Payments"**.



- Implementation of the G20 Roadmap should be a national priority for Australia. Australia should also continue to support international efforts in the G20, other international organisations and trade negotiations to reduce fragmentation of the global internet economy, including through forced data localisation, and improve cross border data flows for secure and fast cross-border payments.

Process for consultation

We look forward to the early publication of a schedule for industry consultations.

Thank you once again for the opportunity to provide this submission. We would be happy to discuss these matters with you further.

Sincerely

Penny Burt
Head of Policy and Government Engagement, Asia Pacific
Stripe

Appendix A

About Stripe

Stripe is a global technology company that builds payments infrastructure for the internet. Businesses of every size - from startups to scaleups to public companies - use the company's software to accept online payments and simplify running an internet business.

Stripe partners with established financial institutions including banks, card schemes and payment methods. We are closely integrated with payment rails as a direct member of global card networks such as Visa, Mastercard and American Express, and through direct connections with national schemes such as eftpos in Australia.



Stripe combines economic infrastructure with a set of applications for new business models like crowdfunding and marketplaces, fraud prevention, analytics, and more. Our tools help companies grow their business across borders.

Our founders - Irish entrepreneurs Patrick and John Collison - had experienced first-hand the difficulty of accepting online payments in an earlier business the two had launched together. On almost every front, it was becoming easier to build and launch an online business. Payments, however, remained dominated by clunky legacy providers. It seemed clear that there should be a developer-focused, instant-setup payment platform that would scale to support a business of any size. Stripe was formed to solve this problem and launched in 2011.

Only about three percent of GDP happens online today. Stripe wants to help more companies get started and thrive, and ultimately to grow the GDP of the internet. In addition, the Covid-19 pandemic has served to highlight the importance of having a resilient and innovative payments system, and we are providing the infrastructure to help Australian businesses to adapt and thrive.

We have been in Australia since 2014 and are growing rapidly. We have an Australian Financial Services License. We work with clients ranging from start-ups to ASX listed companies, including Catch, Canva, CultureAmp, ServiceM8, Atlassian, Xero and Coviu. Globally, 43 percent of businesses who start on Stripe are run by first time entrepreneurs. However, one of the trends we have observed in Australia are traditional enterprises now leveraging Stripe the way digital natives have for years. The transformation is occurring across different sectors, including retail, insurance and education. 100,000 new businesses signed up to Stripe in Australia and New Zealand in 2021. Our survey research has shown that 70% of Stripe businesses in Australia double their monthly volume after two years.