



14 July 2023

Mr James Kelly
First Assistant Secretary
Financial Systems Division
Treasury
Langton Cres
Parkes ACT 2600

Dear Mr Kelly,

We thank you and Treasury for the opportunity to make a submission into this consultation into Reforms to the *Payment Systems (Regulation) Act 1998* (PSRA) and for the extension that has helpfully been provided.

Wise makes for a fairer, more dynamic and more productive economy in Australia through our provision of low cost, transparent, cross-border payments.

Reform to increase competition and reduce unnecessary red tape in the space for international payments will likely yield considerable productivity gains for the Australian economy while also lowering the costs of both doing business and the cost of living for ordinary Australians.

About Wise

Wise is a global technology company, building the best way to move and manage money around the world. With the Wise account, people and businesses can hold over 50 currencies, move money between countries and spend money abroad.

Large companies and banks use Wise technology too; an entirely new cross-border payments network that will one day power money without borders for everyone, everywhere. However you use the platform, Wise is on a mission to make your life easier and save you money.

Co-founded by Kristo Käärman and Taavet Hinrikus, Wise launched in 2011 under the name TransferWise. It is one of the world's fastest growing, profitable technology companies and is listed on the London Stock Exchange under the ticker, WISE.

16 million people and businesses use Wise, which processes around £9 billion in cross-border transactions every month, and in 2022 alone, we saved customers £1.5

billion in fees. We now welcome 100,000 new personal and business customers to the platform each week.

Consultation Questions

Definition of 'payment system'

1) Does the proposed approach to updating the definition of 'payment system' appropriately capture arrangements that are involved in facilitating or enabling payments?

Wise supports the proposed expansion of the definition of a 'payment system' should be a principles based definition which captures the process of the transfers of funds between participants in the market.

A proposed expansion to expand beyond 'money' to 'value' is not particularly desirable if it is intended to provide for the use of cryptocurrencies for payments as it would likely contradict the view that these particular non-monetary digital assets are more akin to securities than a method for making payments. This would create regulatory confusion if it is also the intention of the government to regulate cryptocurrencies as securities as has been previously suggested.

Definition of 'participant'

2) Does the proposed approach to updating the definition of 'participant' appropriately capture the full range of entities that currently and may in future play a role in the payments system?

Wise supports a definition of a participant in the payments system as one which conforms to the UK or New Zealand approaches to identifying participants.

Applicable to both proposed definitions

3) Should other considerations be taken into account in updating the definitions?

Wise notes that the evolution of payments products and technologies are an important part of providing value and outcomes to consumers.

Any definitions in the PSRA should not fetter the ability of these evolutions in payments products and services to be provided to customers.

Definition of 'national interest'

4) Is the proposed 'national interest' test appropriate for achieving the policy as outlined?

The necessity of having a designation power exercisable by the Treasurer requires a relevant test to satisfy the rationale for the exercise of the power. A national interest test is likely the most appropriate mechanism to justify the use of a designation power

and particularly with the ability to exercise designation power above and beyond that of the Reserve Bank requires a test of a broader standard.

5) Is the proposed approach to delineating the Treasurer's national interest powers clear and effective?

Wise is satisfied that the Treasurer's powers with respect to the national interest powers are clear and can be used effectively through engaging with regulators, providing directions to regulators underpinned by consultation with industry and affected parties.

6) Are there views or considerations on whether the Government should include a list of relevant considerations for the Treasurer to have regard to in the legislation, explanatory materials, or a separate policy document?

Wise would suggest that the relevant policy document which outlines the national interest be one which is public, easily accessible and any changes to this document should be subject to a fulsome consultation process.

7) Are there other considerations that have not been listed that should generally be considered in relation to the 'national interest'?

The proposed elements which form the 'national interest' are sufficiently broad as to be suitable. However, Wise notes that what might exist in the national interest may change over time and any changes to this list should be subject to comprehensive consultation.

Designating payment systems

8) Is the scope of the proposed Ministerial designation power effective and appropriate?

Wise believes that the scope of the proposed Ministerial designation power is appropriate and its effectiveness will be determined by the manner of its employment.

Engaging the Regulators

9) Is the Treasurer's proposed ability to allocate responsibility to regulators (within their mandate) other than the RBA appropriate?

Wise believes that this is an appropriate and adequate ability subject to consultation and transparent reasoning and appropriate review mechanisms and oversight - potentially from parliamentary committees tasked with supervision of these regulators.

Directions to Regulators

10) Is the scope of the Treasurer's power to direct Treasury portfolio regulators (ACCC, ASIC, RBA) to implement a policy position appropriate?

Wise believes that this is an appropriate power but notes that such directions need to be made transparently and following an appropriate consultation period with regulators and industry.

We note however that directions should be more specific and targeted than mere directions which are 'general in nature'. Ideally they identify the national interest ground upon which the direction is made and have assessable guidelines which can illustrate the success or not of the directions made.

Consultation requirements

11) Is the proposed consultation approach sufficient for both Ministerial designations and directions?

The proposed consultation approach by the Treasurer in respect of designations should be performed to a higher and more fulsome standard than the issuance of directions as the designation of systems is the necessary prerequisite for the subsequent issuance of directions.

Therefore a more fulsome inquiry performed by an institution other than Treasury - potentially the House or Senate Economics Committees - should be considered as a part of this consultation process.

In respect of issuance of directions, there should still be a required consultation for those whom the directions may affect, but the requirements of these consultations should not extend to an examination by a parliamentary or other third party committee.

Directions, however, should be more specific in nature having identified a clear issue of national importance and the specific solution which the government seeks to achieve in resolving a policy issue.

Information gathering and disclosure

12) Would it be appropriate to enable the RBA to have greater information disclosure powers? What constraints or conditions should be applied as part of such a power?

Wise is a company founded on the notion of transparency. While we support the ability of regulators to gather information we note that there can be occasions where certain data is commercially sensitive or otherwise not in the public interest for disclosure.

Wise would need more information on matters which are to be subject to disclosure to give a more fulsome response but as a general rule, subject to appropriate safeguards and exemptions for commercially sensitive matters we do not object to properly targeted information gathering and disclosure by regulators.

Enforceable undertakings

13) Is there merit in providing the RBA with the power to accept enforceable undertakings on a voluntary basis?

Wise views more flexibility being provided to the RBA in respect of enforceable undertakings as a positive step.

Penalties

14) Would there be benefits in introducing a more graduated penalty regime into the PSRA?

Wise views the current penalty regime as being inflexible and too punitive. The existence of a criminal penalty regime without a civil penalty regime is not appropriate given the full scope of potential breaches.

A graduated penalty regime with both civil and criminal penalty provisions is much more appropriate given the nature of the PSRA.

Procedures to resolve differences of opinion between the Government and the RBA

15) Is there an ongoing role for section 11 of the RBA Act with regards to payments system policy?

Wise does not have an opinion on this matter.

Other

16) Are there any other changes to the PSRA that the Government should consider?

Wise does not have any further suggestions.

Conclusion

We thank Treasury for the opportunity to be heard on the reforms to the PSRA.

Yours faithfully,



Jack Pinczewski
APAC Government Relations Lead
Wise