

New Payments Platform: balancing system integrity & access

By Adrian Lovney

Recently the New Payments Platform (NPP) opened to the public. As well as enabling customers of different banks to make real-time payments to each other 24 hours a day, every day of the year, it also brings enormous potential for innovation through its data capability and layered architecture built to support multiple and competitive products or services.

But as the initial fanfare of the launch subsided, out came some conspiracy theorists, with articles such as [‘Payment down on a better platform’](#), lamenting the NPP as a ‘members-only club’ which will stifle competition and innovation.

The core issue is one of access – which organisations and innovators can access the capabilities and benefits of the platform. While it may sound great to have an open door, in a payments system that enables the movement of funds in real-time, it’s obvious you need to have some controls. That’s why the NPP allows various levels of access, each with clear criteria.

There are 13 shareholder organisations that funded, designed and built the NPP – unprecedented collaboration never seen before in our industry. This collaboration was motivated by the shared view that our 50-year old payments system drastically needed to evolve to fulfil the needs of an increasingly digital economy.

These initial participating organisations can connect directly to the platform because their status as prudentially regulated authorised deposit-taking institutions (ADI) indicates they can manage risk and satisfy participation requirements. This is consistent with the Bank for International Settlements’ Principles, which call for financial market infrastructure to ensure: ‘its participants have the requisite operational capacity, financial resources, legal powers and risk-management expertise to prevent unacceptable risk exposure for the infrastructure and other participants.’

In 2017, the ACCC agreed this ADI requirement for direct connectors was not unduly onerous given the need to ensure the platform operates securely, efficiently and reliably. Far from being a ‘members-only club’, any one of Australia’s 150 prudentially regulated ADI’s, and potentially holders of a new class of Restricted ADI licence, can join this founding group as a shareholder.

Critically, there are other ways for organisations to participate, and judging by the number of organisations already offering NPP enabled payments, many have chosen this path.

As well as the institutional banks, three directly connected organisations – Cuscal, ASL and Indue – who act as ‘aggregators’, are providing access to more than 50 organisations, enabling them to connect indirectly without contributing one dollar of capital. One of those is Family First Credit Union, which is based in Lithgow with 9,000 customers and a reported profit last year of \$440,000. It has connected via ASL and can now offer the benefits of real time payments to its members.

As a result of these arrangements, the NPP has a more diverse range of organisations participating after just two weeks than the comparable UK system has achieved in ten years.

But direct and indirect connection for ADIs are not the only pathways to accessing the benefits of the NPP. There are other ways organisations can participate, clearly set out in our rules (and available on our website). Access is, and will remain, a key priority for us. We

will continually monitor issues concerning access and seek additional ways to facilitate it through additional mechanisms such as APIs.

Finally, a word to dispel the view that the NPP is controlled by incumbents, making access difficult for smaller institutions. There are 11 voting directors on our Board, including four major banks, four representatives from small to medium banks and aggregators, two independent directors with no links to the banking sector, and a director representing the Reserve Bank of Australia. Cutting to the chase, the largest four Australian banks only have a third of the votes around the Board table, despite having contributed nearly all of the capital to build the system. But in practice, day-to-day decisions on access are delegated to management.

So I ask, are calls to override the New Payments Platform's critical prudential safeguards for 'competition reasons' valid when organisations like Family First (as well as 50 other challenger brands) have been able to connect to the NPP via organisations who contributed capital to build it? How is it responsible, competitive or fair to allow a non-prudentially regulated organisation, valued at \$2 billion, to connect directly for free?

The access arrangements for the NPP strike a fair balance between the competing forces of system integrity and access. And with some of Australia's smallest financial institutions already on board, and with many more to come, it's our view we've got the balance right.

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