

New Payments Platform	Level 9 420 George Street Sydney 2000 Australia	www.nppa.com.au
		www.payid.com.au

Statement

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NPP Australia's response to the Productivity Commission's Report on Competition in Financial Services

The NPP moves account holders' money in real-time and according to the Productivity Commission, may be expected, at some point in the future, to replace the system that currently moves around \$1 trillion each month¹, so it requires rigorous standards to safeguard the Platform, participating financial institutions and Australian account holders – businesses, consumers and government agencies. This is why we have an access regime that requires certain prudential safeguards to be met, in line with standards set by the Bank for International Settlements.

The platform is also designed to be open and provides different alternatives for organisations to participate. Any one of Australia's 150 prudentially regulated ADIs and holders of the new class of Restricted ADI licence, can connect directly to the infrastructure. Directly connected organisations are currently providing access to about 55 organisations, enabling them to connect indirectly without contributing any capital. An additional 20 organisations, including a number of fintechs, are expected to access the NPP via this option in the next 6-9 months. Banks are currently providing NPP APIs that will further increase connectivity options.

In regards to the composition of our Board, there are 11 voting directors, 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. The four largest Australian banks have a third of the votes around the board table.

In October, as part of SWIFT's SIBOS programme, the New Payments Platform will be showcased at a payments market infrastructure roundtable of Asia-Pacific payments systems and central banks as a practical example of a next generation payment system that is more inclusive and open rather than existing models with high barriers to entry.

Some organisations incorrectly assume they need to connect directly to the Platform to access the Platform's benefits, but that's definitely not the case. Just some examples of the innovation that can occur without direct connection include things like real-time funding or defunding of payments wallets, short-term lending, "buy-now, pay-later" services, the first or last domestic leg of an international remittance, or QR Code driven products. Innovators can use the NPP and existing capabilities such as Osko to support the purchase of airline tickets, enable payroll payments or make payments triggered by distributed ledger technology.

Given the arrangements already in place and working effectively to provide direct and indirect access, NPP Australia agrees with the Payment System Board that evidence is needed before implementation of a formal access regime and will continue to monitor the situation, making changes where needed to enhance access.

The Productivity Commission report calls out a comparison to the UK market which has created a new class of regulated non-bank entities called "Payment Service Providers" who can directly access the payments system. Such a category doesn't currently exist in Australia. If relevant authorities were to

¹ PC Report, at p.29

create a new breed of “specialist payment providers” as suggested by the PC report, then at that time, NPP Australia would consider including these within the NPP access regime, just as we have recently allowed access to organisations with Restricted ADI licences.

Similarly, NPP Australia will also continue to focus on extending the capability of the system to support new payment types, such as better alternatives to the current Direct Debit system. As indicated in our submission to the Productivity Commission, this work has already commenced.

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**Contact: For enquiries about New Payments Platform and PayID email
communications@nppa.com.au**