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To whom it may concern

Australian Payments Network (AusPayNet), the industry association and self-regulatory body for the Australian payments industry, welcomes the opportunity to respond to the Reserve Bank of Australia (RBA) *New Payments Platform: Consultation* (the consultation paper).

AusPayNet manages and develops regulations, procedures, policies and standards governing payments clearing and settlement within Australia. The payments system operates within a 'co-regulation' model,<sup>1</sup> with the "presumption in favour of self-regulation"<sup>2</sup> which is noted in the Explanatory Memorandum to the *Payment Systems (Regulation) Act* (the Act).

AusPayNet considers that the current regulatory model for payments, and the associated roles and responsibilities, have served, and continue to serve, the Australian market well and should be retained. AusPayNet continues to support the principle of self-regulation, including for the New Payments Platform (NPP).

## Background

The Australian Payments Clearing Association (APCA) – now AusPayNet, formed the Real-Time Payments Committee (RTPC) in September 2012 to develop a clear way forward for the Australian payments industry on real-time, low-value payments. The catalyst for action was the publication in June 2012 of the Payment Systems Board (PSB) Strategic Review of the Innovation in the Payments System. The RTPC lodged its final proposal with the PSB on 8 February 2013. The Proposal was accepted at the Board's meeting on 15 February 2013. APCA subsequently established NPP Australia Ltd (NPPA) as a separate corporate entity in late 2014 to oversee the build and operation of the platform.

The NPP is the result of a collaborative industry initiative, designed to meet the needs of the digital economy. The costs of building the central infrastructure were funded by shareholders. This significant investment capital was provided by NPPA's diverse range of shareholders, which include both major and regional banks, aggregators and foreign banks. The result is a world-class platform for delivering fast, versatile, data-rich payments.

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<sup>1</sup> PC Draft Report, p504

<sup>2</sup> PC Draft Report, p505

## Rollout

Still a relatively new piece of infrastructure, the NPP launched in February 2018, a little over nine months ago. Despite this, and as acknowledged in the consultation document, as at 22 October 2018, over 2 million PayIDs had been registered, enabling 50 million accounts to be reachable and payments worth about \$40 billion had been sent through the platform – with an average of more than 400,000 daily transactions.<sup>3</sup> This is a significant achievement.

Furthermore, a number of organisations, including fintechs, are expected to access the NPP indirectly without capital expenditure over the next six to nine months.<sup>4</sup> This is likely to further increase the volume of payments sent through the platform.

## Access

AusPayNet works to improve the Australian payments system by promoting competition and innovation, delivering efficiency, and controlling systemic risk. We create a shared purpose that engenders confidence in the payments system. AusPayNet is therefore supportive of the risk-based eligibility criteria applied by NPPA to different business models based on types of access sought for NPP.

The consultation document notes there are a number of ways participants can access NPP. This can be done directly, indirectly, as an identified institution or as a connected institution. With the implementation of the consumer data right and new licensing frameworks domestically, it can be envisaged more identified and connected institutions will emerge. Indeed, NPPA has already determined that any Restricted-ADI, a new licence category created by APRA in May this year, will, in principle, satisfy the primary condition for NPP participation and be eligible to become an NPP participant.

AusPayNet is supportive of the risk-based eligibility criteria applied by NPPA to different business models based on types of access sought for NPP. A risk-based access framework for payments infrastructure is important because of the significant role that payments infrastructure plays in the market it serves. This is recognised in the *Principles for Financial Market Infrastructures* (FMI) published by the Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS).<sup>5</sup> Those principles state that an FMI “should allow for fair and open access to its services. It should control the risks to which it is exposed by its participants by setting reasonable risk-related requirements for participation in its services” and that the requirements should take into account “operational capacity, financial resources, legal powers, and risk-management expertise to prevent unacceptable risk exposure for the FMI and other participants”. The NPP has adopted eligibility criteria which is consistent with the BIS principles to ensure the stability and security of its facility, which is required to be available on a 24/7 basis.

## Functionality

The NPP was designed to facilitate innovation and competition in ‘overlay services’, meaning products and services that leverage the basic infrastructure. The initial development and deployment of ‘Osko’ by BPAY is an example of an overlay service.

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<sup>3</sup> NPP Fast Facts, as at 22 October 2018

<sup>4</sup> NPPA Response to the PC Report, 3 August 2018

<sup>5</sup> Bank of International Settlements (2012), *Principles for Financial Market Infrastructure*, p101



The landscape has also evolved since the original conception of NPP. Technology advances within Australia and internationally has resulted in the emergence of alternative payment business models. Open banking and regulatory reforms overseas have created new categories of third-party initiators of payments, many of which utilise Application Programming Interfaces (API). NPPA has announced three sample APIs that NPP participants could make available to the fintech and payments community in Australia.<sup>6</sup> These are:

- **PayID Resolution Request** – to determine the bank account related to a particular personal or business identifier such as a mobile phone number or email address;
- **Payment Initiation Request** – to instruct the NPP participant to initiate a payment instruction through the NPP; and
- **Payment Status Request** – to check on the status of an NPP payment.

AusPayNet also welcomes and supports NPPA's recent announcement that, in collaboration with SWIFT, it has launched 'a secure testing environment that allows fintechs and other payments providers to test the capabilities of the NPP'.

## Summary

In summary:

- the NPP continues to grow its share of payments volume at significant scale;
- a number of participants, large and small, including non-shareholders, are already or are planning to connect to the platform;
- there are a number of alternative ways available to participants to connect; and
- NPPA is already in the process of building further functionality and capabilities than those currently available.

It is therefore important to let the NPP, a significant piece of national infrastructure, mature and show the market that it promotes access and competition in payments. This is an ongoing objective for NPPA and will require time, before consideration could be given to the potential for an access regime.

We are happy to discuss further any of the issues raised in our submission.

Yours sincerely



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**Australian Payments Network**

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<sup>6</sup> NPPA Media Release – Swift and NPP Australia launch sandbox for testing APIs, 17 October 2018