

Select Committee on Financial Technology and Regulatory Technology
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600



17 December 2020

SUBMITTED BY EMAIL: fintech.sen@aph.gov.au

The Australian Payments Network (AusPayNet) welcomes the opportunity to respond to the *Senate Select Committee on Financial Technology and Regulatory Technology* (the Committee)'s second Issues Paper.

In our original submission to the Committee, we highlighted AusPayNet's initiatives to support fintechs, including seeking to better understand their requirements of the Australian payment system. As result of that work, we are happy to confirm that we have recently published a non-technical guide to assist new entrants in navigating the payments system.¹

The Role of Industry Self-Regulation

AusPayNet is the industry association and self-regulatory body for the Australian payments industry. The *Payments System (Regulation) Act 1998* was designed to operate on a presumption of self-regulation. This has meant regulatory intervention by the Reserve Bank of Australia (RBA) "only where it has considered it necessary in the public interest and where the industry has been unable or unwilling to address the [RBA's] concerns".²

At its core, AusPayNet's constitution is designed to facilitate collaboration, and to champion self-regulation and system-wide standards; under that constitution, adherence to common frameworks has enabled competition and innovation, and promoted efficiency and control whilst effectively managing risk.

We are therefore encouraged that the Committee has recognised that "industry self-regulation can be an efficient way for innovative products in the financial services sector to emerge, while ensuring adequate protections for consumers", and "that a co-regulatory approach between industry and regulators can be effective in enhancing consumer outcomes".

AusPayNet is therefore supportive of Recommendation 16 "that the Australian Government establish a culture of innovation and competition in financial services by supporting self-regulation where innovative products emerge, whilst ensuring strong consumer protection".

¹ AusPayNet, *Navigating Payments for New Entrants* ([link](#))

² RBA, December 2019, *Submission to the Senate Select Committee on Financial Technology and Regulatory Technology* ([link](#))

Consumer Data Right

The Issues Paper notes that, as the CDR expands, “the potential for linkages and a more holistic data economy in Australia will increase” and requests “ideas on how to best leverage [its] long-term potential”. The importance of the payments system to Australia’s data economy was recently underscored by Prime Minister Scott Morrison who, in launching the *Digital Business Plan*, stated that:

- *Australia has arguably the most advanced real-time payments system in the world. That is the digital infrastructure through our new payments platform that enables people to get paid instantaneously.*³

In May 2020, AusPayNet made a submission to the Inquiry *Future Directions of the Consumer Data Right*, undertaken by Scott Farrell.⁴ AusPayNet understands that Government is considering the Inquiry’s Final Report. We have summarised some key points of our submission to that inquiry below.

We noted similarities between the payments system and data economy, which can both be described as networked digital systems. Given the similarities between the requirements to support the safe flow of information in a data economy and the flow of money in the payments system, how the Australian payments industry enables the latter may provide a useful blueprint for establishing a safe, resilient and sustainable governance framework for the former.

Implementation requires a robust governance framework that gives consideration to two related issues: the identification and composition of the governance structure itself (the “who”) and the types of activities and functions it performs (the “what”):

- **Who:** Australia's payments system operates on the assumption of self-regulation and AusPayNet plays a core role in facilitating this. This has proven highly effective, allowing Government to set high-level principles and broad policy objectives, while industry focuses on operational implementation, creating innovative solutions and providing competitive offerings to business and consumers.
- **What:** The networked nature of payments means much of the ongoing operational work includes monitoring, compliance, reporting and enforcement. This is necessary to identify any challenges, pinch points and opportunities for all stakeholders. Many are delivered via shared projects. The shared approach ensures that consumer experience is always front of mind, and that changes and developments are implemented as seamlessly as possible. Key areas include security, standards and consumer protection.

The successful operation of the payments system is predicated on trust: trust that the underpinning technology will work; and trust that funds will reach the intended recipient at the right time. This trust is enabled through the operation of frameworks that deliver security and interoperability, and support the management of liability, between a wide range of competing service providers.

This established framework for the payments system could provide a useful blueprint for leveraging the potential of the CDR and the data economy.

³ Prime Minister Scott Morrison, September 2020, *Transcript: Press Conference APH Canberra* ([link](#))

⁴ AusPayNet, May 2020, *Submission to the Inquiry into Future Directions for the Consumer Data Right* ([link](#))

Digital Identity & Know Your Customer Regulations

AusPayNet notes progress made by the Digital Transformation Agency (DTA) with respect to streamlining online access to government services and supports the view expressed in the Committee's Interim Report that "these reforms will deliver significant time and cost savings to individuals and businesses"⁵.

Digital identity, like payments, is a network business. The delivery of long-term benefits to individuals and businesses in their private sector interactions requires an effective balance of regulation and self-regulation. AusPayNet's view regarding the most effective balance has been shared consistently with the DTA over the course of the last two years.

A central theme to this dialogue is the importance of enabling innovation. Specifically, AusPayNet's commentary proposes that a single government operated framework may not be the most effective approach. Drawing a parallel with the payments system, there are multiple competing and interoperable frameworks that support a wide range of products and services that provide end users with meaningful choice. The recent success of buy now pay later (BNPL) products is an example of this. BNPL services evolved in the fintech community and leverage payment card frameworks. AusPayNet urges the committee to consider how similar success could be enabled for the RegTech community in the parallel environment of identity services.

Alongside this AusPayNet acknowledges that payments and identity services are enabled by the transfer of data and that a highly effective data privacy regime is central to the success of a digital economy. AusPayNet's submission to the *Review of the Privacy Act 1988* notes that a review of the Act is timely in this context.⁶

If you have any further questions about any information contained in this submission, please contact Pardeep Grewal, Head of Policy (pgrewal@auspaynet.com.au or 0408 616 819).

Yours sincerely



Andy White
CEO, AusPayNet

⁵ Senate Select Committee on Financial Technology and Regulatory Technology, Interim Report, Pg210 ([link](#))

⁶ Attorney-General's Department, November 2020, *Review of the Privacy Act 1988* ([link](#))