

EPAA Answers to Commonwealth of Australia Treasury Questions Strategic Plan Meeting, 29 March 2022 VERSION 2

Agenda Item 3

Overview of EPAA's role in the payments system

- The Emerging Payments Association Asia (EPAA) is a community of payments professionals whose goal is to strengthen and expand the payments industry across the region for the benefit of all stakeholders.
- EPAA reflects the diversity of the Asian payments ecosystem. Our members represent the full breadth of payment service providers from global giants to regional / domestic players; from major global banks and payment providers to start-up fintechs.
- EPAA stands for inclusion and a competitive, level playing field for all participants - domestic and international, banks or fintechs. We also believe in the importance of understanding and assessing the balance between innovation and risk within payments.
- EPAA's activities center around our project-specific working groups. Currently we have diverse and deeply knowledgeable working groups actively progressing work on cross-border payments, open data, CBDCs and regulation. The output of these working groups included roundtables, briefings, discussion papers and original research.

Agenda Item 4

1. What are the 2 or 3 key issues/initiatives in the payments ecosystem your organisation considers important to be reflected in the strategic plan?

1.1. Are there any key interdependencies in relation to these key issues/initiatives? If so, what are your views around how to appropriately manage these interdependencies

i) Single Tiered Licensing Framework - (Recommendation 9)

EPAA believes that the proposed single, tiered licensing framework is an essential building block for the strategic plan.

- Getting this right will support competition and innovation, providing both existing and new entrants with clarity on their rights and responsibilities for operating within Australia.
- This is critical in making Australia attractive as a place to do business and a regional / global hub. New entrants should not need expensive legal advice just to figure out where to start. We recognise there is a wider agenda of reforms (tax, R&D incentives, immigration, education etc.) but licensing is an important starting point that needs to be directly addressed in the strategic plan.
- Clarity is needed on what licensing entails. It should provide rights - such as access to systems - as well as clearly articulate responsibilities of licensees. The responsibilities should cover areas such as cybersecurity controls and fraud prevention to support a safe and secure ecosystem
- Several important questions need to be answered. How will emerging functional areas, such as payment initiation, be addressed? What are the tier-related thresholds and how can they be designed to remove disincentives to expand or enhance operations? Will status from other jurisdictions be recognised?

- We should learn from overseas examples - concern that Canada's "catch and release approach" does not provide incentives whereas a European / Singaporean regulatory approach and a single licensing regime for a comprehensive suite of payment activities (for example) provides a more robust approach.
- Licensing needs to be done properly and if that means more time needs to be taken then, then so be it, but licensing shouldn't be underdone or left to drift.
- While ASIC is proposed as the licensing body there needs to be good coordination between the regulators - including not just Treasury, APRA, and RBA but also Austrac and the ACCC to ensure better regulatory outcomes.

ii) Accessibility to Systems - (Recommendation 11)

Linking the licensing regime to access to systems.

- A consistent approach across domestic systems and regimes is critical
- The new licensing regime should also instill regulator confidence in granting third party access to Australia's payment systems; it should also be consistent with adjacent regimes, such as the CDR. For example, if an entity has been accredited under the CDR, it should have demonstrated sufficient safeguards and compliance to be considered for access to the payment systems. While this does not necessarily mean CDR accreditation should be a mandatory first step of the new licensing regime, the point is that regimes should complement where it makes sense to.
- This sort of accessibility will support and promote an interoperable and consistent approach within the domestic market but should also make it easier for Australia to meet its G20 cross-border payments commitments.

iii) Safe, Secure and Resilient Platforms

A payments ecosystem that is safe, secure and reliable is in everyone's interest and essential for industry and end-user confidence.

- Systems and platforms used by multiple players should be open and accessible but also safe, secure, and resilient. This includes systems and platforms for payments as well as systems and platforms that enable standardized approaches to CDR and Digital Identity.
- Ecosystem resilience means that issues such as fraud and cyber-security need to be addressed at all levels. They are issues of concern for policymakers and regulators and critical for system operators and participants within those systems.
- Licensing can support a coordinated and robust approach around these issues so that new entrants / fintechs can have access without compromising safety and security.
- Ecosystem resilience should also mean that issues such as access to cash should be addressed, ideally on a collaborative basis.

1.2. What do you consider to be an appropriate timeframe for each of the issues/initiatives to be addressed/implemented?

The timing for licensing should be sooner rather than later, though care should be taken to do this properly and not to rush or do a cursory job.

We recognise that a start date of 1 July 2023 for a new licensing regime, though desirable, is highly ambitious and a date of 1 July 2024 likely more realistic.

1.3. What are your views on the appropriate level of Government and industry involvement in addressing/implementing the key issues/initiatives?

On regulatory reforms and licensing, the Government must take the lead, while keeping industry in close consultation. Policymakers and regulators should identify how to work collaboratively with system operators on issues such as how licensing will interact with access to those systems.

On matters more likely to be industry-led, such as the future of BECS, cheques and NPP, the Government should seek input from bodies such as APP+ and AusPayNet to gauge the most appropriate role for the Government.