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By Email: pysubmissions@rba.gov.au

Dear Tony,

Submission in response to the RBA's Review of Retail Payments Regulation

BPAY Group appreciates the opportunity to respond to the Reserve Bank of Australia's Review of Retail Payments Regulation: Issues Paper (November 2019).

BPAY is Australia's leading payments scheme and operates for the benefit of more than 150 member financial institutions, covering 95 per cent of the Australian consumer banking market. The BPAY Scheme was established in 1997 as a result of a group of banks coming together to provide a world-leading and efficient electronic bill payment service that saves banks, businesses and consumers time and money.

BPAY Group's strategy is focussed on making life simpler by:

- Providing payment solutions that enhance experience, value, trust, and choice for consumers;
- Making it easier for businesses to integrate payments into their operations to increase the ease of doing business; and
- Providing solutions to key challenges common across banks and the broader industry.

Systemic innovation in the payments system is a key component of this strategy and is the primary focus of our submission.

Q1: What major recent or prospective developments in the broader payments industry are particularly relevant to this review? More specifically, are there any gaps in functionality available to end users or any shortcomings in industry governance or operating arrangements that require regulation or coordinated industry action?

BPAY Group has significant experience with systemic innovation and has continuously innovated to both enhance our existing services and to introduce new services. Our recent introduction of APIs for BPAY Payments has been highly successful in making BPAY easier to use for Fintechs, new entrants and existing members alike. We continue to invest to expand the capability of these APIs in order to support payment submission and notifications.

In February 2018, BPAY Group launched its latest payment product, Osko by BPAY. Osko was the first product available on the New Payments Platform (NPP) and provides a whole new way to pay and get paid. Osko makes payments faster, easier and more convenient than ever before – via any participating financial institution

Implementation of Osko is, however, only partially complete. Future capabilities to enable Requests to Pay and to enable documents to be included with payments are yet to be rolled out. BPAY Group continues to work with our member banks to secure committed funding and priority for the implementation of these services, though no committed timetable has yet been established. We are also exploring the potential to fast-track implementation of these capabilities with a subset of member banks and selected high volume users such as government agencies.

While the deployment of Osko has provided a valuable new offering for Australians, from an implementation perspective, the experience of implementing the first overlay service has provided a number of important learnings. While the recent NPP Access and Functionality Review and the NPPA Roadmap have outlined how to streamline and make more transparent the overlay application process, it may be appropriate to conduct a more thorough review of the overlay service model with a view to simplification and removing duplication and complexity.

The NPP / Osko experience via the Strategic Review of Innovation also provides a good case study of systemic innovation in Australian payments. From the outset, there was role clarity between strategy direction from the RBA and implementation responsibility within the industry. There was also a clear delineation between NPPA as infrastructure provider and the overlays which were to provide new commercial services and products.

This role clarity and delineation were key to industry support and the successful launch of both NPP and Osko. However, in the period since the launch of Osko and NPP, we have observed diminished alignment in terms of both strategic direction and implementation of systemic innovation. While the introduction of NPP and Osko have been resource intensive for member banks, this emerging uncertainty on future enhancements highlights the challenge of ongoing systemic innovation.

From our perspective, strategic direction for systemic innovation has become increasingly fragmented, with numerous initiatives, including the current Review of Retail Payments Regulation, underway throughout 2019 and into 2020. Relevant initiatives include:

- The Australian Payments Council's Australian Payments Plan
- AusPayNet's industry consultation on the future state of Australia's payment systems
- NPPA's Roadmap, as well as the recent review of the NPP Functionality and Access by the RBA
- The joint RBA / Australian Payments Council's consultation on ISO 20022 migration
- The individual strategic agendas of industry participants like BPAY Group

All of these initiatives are contributing to the strategic dialogue and ideally should complement each other. However, it remains unclear how a unified strategic agenda for systemic innovation within Australia will emerge and be implemented.

In retrospect, the Strategic Review of Innovation process was successful because there was clarity in respect to roles for the RBA and the Real-Time Payments Committee (RTPC) which brought together industry participants. As well, what emerged from those discussions was a clear delineation between NPPA as infrastructure provider and BPAY Group as provider of the first overlays. We believe there is merit in considering how to best re-establish a similar framework going forward for future enhancements.

While clarity is needed in all of these areas, this does not necessarily warrant consolidation of existing bodies. Consolidation may appear to be appealing, however overseas experience to date does not suggest that consolidation is key to addressing collaborative innovation:

- While it is still relatively early days, the UK experience with Pay.UK has yet to result in any more significant systemic innovation than what was seen before its creation. The UK market is however vibrant, almost despite these efforts.
- In Singapore, consolidation of BCS and BCSIS into NETS provides the Monetary Authority of Singapore with a vehicle for systemic innovation to be coordinated - however systemic innovation such as FAST were happening prior to this merger.

BPAY Group's perspective is that improved coordination leading to clarity on strategic agenda setting (the "what") and implementation responsibility (the "how") is a preferable and demonstrably more successful mechanism for enabling systemic innovation in the payments system than any consolidation. This approach is key to ensuring collaboration on infrastructure, whilst providing opportunity for competition in the provision of commercial services.

Finally, any improved approach can be flexible to meet impending systemic challenges that may benefit from a coordinated response, such as Digital Identity. BPAY Group is consulting with industry participants and solution providers on the most appropriate approach and commercial framework to support this initiative.

Q3: Are there barriers to innovation and/or competition that may affect the costs of or provision of electronic payments and should be addressed in this review?

As noted above, innovation is constrained without industry alignment on priorities for systemic innovation. Coordination is needed through a model similar to that used for the Strategic Review of Innovation and the RTPC. This can include a robust, transparent and inclusive process for establishing priorities and then seeking resolution, whilst maintaining the opportunity for competition in the provision of commercial services.

Q9: What are the implications of the growing importance of mobile devices and digital platforms for the retail payments system in Australia? Are there issues that arise for the Bank's regulatory regime for card payments or that are relevant to competition, efficiency and risk?

The issues paper specifically requests *"information from stakeholders about the current extent of their use, any future proposed adoption of QR-code based payments, and any potential policy issues they raise."*

BPAY published a QR code specification for BPAY payments in 2014 and for Osko payments in 2019.

Our experience is that QR code standards need to be inter-operable within a consistent framework, enabling competition through customer experience and proposition. We will be happy to provide further details on this separately.

BPAY is willing to discuss these and related matters with you at any time.

Kind Regards,



Mark Williams
Chief Strategy Officer