

31 August 2011

Dr. Christopher Kent
Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
Sydney NSW 2001

Email pysubmission@rba.gov.au

Dear Dr. Kent,

Strategic Review of Innovation in the Payments System

eftpos Payments Australia Limited (**ePAL**) believes that:

- (a) a market that is competitive, open and fair to all participants (including potential participants) will drive innovation in the payments system,
- (b) industry based, even self-regulatory, solutions to the coordination issues that arise with respect to most payment system innovation are to be preferred wherever possible to regulatory intervention, and
- (c) the payments system industry and its regulators, need to consider and determine the most appropriate governance framework for the payments system with these principles in mind; a delicate balance between:
 - (i) competition and the incentive to innovate it engenders, and
 - (ii) cooperation and the efficiencies and other benefits it brings,needs to be achieved.

To further consideration of this issue, ePAL has commissioned the enclosed paper "Innovation in the Australian Payments System — Perspectives on Governance" from Deloitte Access Economics (**Deloitte Paper**).

The Deloitte Paper sets out three potential governance models for the payments industry. Of the three options discussed in the Deloitte Paper, ePAL's own view is that the hybrid model of governance is worthy of further consideration. Of course, all options should be considered.

The future of the payments system and the public interest demands that the industry and its regulators engage further on these important issues. The industry and its regulators must both take responsibility for the future governance of Australia's payments system in order to ensure that it remains world class and meets the needs of both consumers and merchants.

ePAL looks forward to participating in an engagement process on these issues, and is hopeful that a governance structure that encourages both competition and cooperation can be found. As a working example of a governance framework that creates cooperation amongst competitors, ePAL may be able to offer some insight to this process.

ePAL Innovation

ePAL's current roadmap includes:

- (a) EMV, contactless and mobile NFC payments,
- (b) Credit eftpos – a transaction that allows funds to be deposited in real time,
- (c) Card Not Present – enabling eftpos for e-commerce, and
- (d) consideration of the options to replace the bilateral network for eftpos and ATM processing.

The detail around some of these initiatives is, at this point, commercially sensitive. However ePAL will provide the RBA with a more detailed briefing as part of the consultation process. In particular, the RBA may be interested in our Card Not Present plans given, the growth of e-commerce, the need for further competition in this space and recent industry announcements.

ePAL would welcome the opportunity to discuss this submission further.

Yours faithfully



Bruce Mansfield
Managing Director