

Industry Committee Resolution

This document contains the following sections:

Resolutions of the Industry Committee

Annexures:

- a) Industry Committee Full Compendium (including summary of proposal to merge BPAY, EFTPOS and NPP)
- b) Memorandum on NewCo's potential governance and operating model
- c) Presentations by:
 - i) EFTPOS
 - ii) BPAY
 - iii) NPPA

This document and the information contained in it is confidential and subject to Paragraph 8 of the Industry Committee Participation Agreement.

Resolutions of the Industry Committee

1 Background:

Since its formation under the Industry Committee Participation Agreement dated 24 July 2020, the Industry Committee has been discussing and considering whether and how best the objects of:

- NPP Australia Limited (ABN 68 601 428 737) (**NPPA**),
- EFTPOS Payments Australia Limited (ABN 37 136 180 366) (**EPAL**),
- BPAY Group Pty Ltd (ABN 60 003 311 644) (**BPAY Group**) and BPAY Pty Ltd (ABN 69 079 137 518) (**BPAY**),

(together, the **Relevant Companies**), might be served by a merger or amalgamation of the Relevant Companies (subject to obtaining authorisation from the Australian Competition and Consumer Commission (**ACCC**)), taking into account the respective interests of their constituent shareholders, stakeholders and the public interest.

Through the discussions of the Industry Committee an understanding has emerged that that a new, stronger entity is needed to shape payments in Australia and provide sustainable competition to global payments companies. The purpose of the merger of the Relevant Companies and creation of NewCo is to serve as this stronger entity and provide multi-service infrastructure, broad capability, low cost of acceptance and a unified roadmap that is responsive to changing consumer expectations and technological advancements.

NewCo is seeking to deliver substantial benefits while also protecting the value created over the past decade by low cost cards. The benefits for implementing the non-binding recommendations which have been developed in the considerations of the Industry Committee include:

- encouraging and enabling more payments innovation;
- improving efficiency and speed to market of new innovations;
- improving the ability to coordinate and direct investments and resources;
- improving efficiency, speed and resilience of underlying infrastructure;
- enhancing competition with global players; and
- providing a broad and fair representation of stakeholders in future of domestic payments.

Further reasons specific to the Relevant Companies as described in the schedule to this resolution were also developed through the Industry Committee process.

Through the process, the Industry Committee discussed and developed the documents set out in (a) and (b) with the benefit of the presentations set out in (c), which were provided to the Industry Committee Members before the meeting and which are annexed to this document:

- (a) Industry Committee Full Compendium dated 24 September 2020 (“**Compendium**”), including a summary of proposal to merge BPAY, eftpos and NPP (“**Summary of Proposal**”); and
- (b) Memorandum on NewCo’s potential governance and operating model dated 16 October 2020 (“**Governance Memorandum**”); and
- (c) Presentations by:
 - (i) EFTPOS (IC Meeting #3 – document dated: 11-Aug-2020); and
 - (ii) BPAY (IC Meeting #4 – document dated: 13-Aug-2020); and
 - (iii) NPPA (IC Meeting #6 – document dated: 24-Aug-2020).

2 It was resolved:

- (a) that, having regard to the reasons set out in this document, the Industry Committee make the following non-binding recommendations:
 - (i) taking into account the respective interests of their constituent shareholders, stakeholders and the public interest, the objects of the Relevant Companies would be best served by a merger of the Relevant Companies on the following basis:
 - (A) that any proposed merger would be subject to the ACCC granting authorisation, including where the ACCC’s decision is subject to conditions and/or undertakings provided by the Relevant Companies; and
 - (B) that the ultimate governance model (“**Ultimate Structure**”) following the proposed merger should be based on that proposed in the Governance Memorandum; and
 - (ii) that an Implementation Agreement be entered into by NPPA, EPAL and BPAY Group Holding Pty Ltd (ABN 44 626 481 525) which sets out corporate and other steps necessary to achieve the Ultimate Structure and commits those entities to use reasonable endeavours to implement those steps (subject to, amongst other things, ACCC authorisation); and
- (b) that the Industry Committee:
 - (i) continue to meet to consider, discuss or to make non-binding recommendations in relation to matters that may facilitate:
 - (A) the matters referred to in the recommendations above; and
 - (B) the continued operation of the payment systems operated by the Relevant Companies in accordance with the rules and regulations which govern them; and
 - (C) the development of a strategic roadmap for resilient, safe, efficient, fair and accessible payment services which meet the future needs of users of the Australian payments system.
 - (ii) manage communication with stakeholders and relevant regulators, including approaching the ACCC for authorisation of

the proposed merger of the Relevant Companies and updating the Payments System Board, and provide copies of any formal written communications between the Industry Committee and those regulators to each Participant (as defined in the Participation Agreement).

Schedule – Further specific reasons

1 EPAL

The primary objects for which EPAL is incorporated are to:

- provide a forum for developing and determining the strategic, commercial and technical direction of the eftpos system;
- manage the positioning of the eftpos system as a payment system; and
- invest in infrastructure required for the development of the eftpos system.

Pursuing this course of action would be in furtherance of the objects of EPAL because it is intended to improve the ability for EPAL members to develop and determine the strategic, commercial and technical direction of the eftpos system and manage the positioning of the eftpos system as a payment system. By implementing the non-binding recommendations, EPAL will be investing in the infrastructure required for the development of the eftpos system.

2 NPPA

The objects of NPPA are to:

- establish and operate the NPP in a manner that promotes the public interest in the NPP by:
 - ensuring its safe, reliable and efficient operation;
 - facilitating fair access to the NPP as mutually owned utility infrastructure; and
 - ensuring ongoing investment in the NPP to meet the changing needs of financial institutions and users of the Australian payments system; and
- without limiting the points above, carry on the business of NPPA, including substantial compliance with the RTP System Proposal in the operating period.

Pursuing this course of action would be in furtherance of the objects of NPPA because the creation of NewCo is intended to provide the best, efficient, accessible payment infrastructure to users. Increased coordination is intended to avoid the duplication of investment, reduce costs to deploy and run payment services and streamline the engagement model as additional small to mid-sized players interact with the Australian payments system.

3 BPAY

Although BPAY and BPAY Group do not have clearly defined objectives within their constituent documents, the reasons set out above and explained in Part 4 (*Core Hypothesis*) of the Summary of Proposal apply equally to BPAY and BPAY Group.

Ultimately, the recommended course of action would be for the benefit of the users of the NPP, eftpos and BPAY systems as it is intended to further enable innovation and new efficiencies to improve the payment services which are able to be provided by them. The intended purpose of NewCo, being to create the means to provide globally competitive payment services which are resilient, safe, efficient, fair and accessible and which meet the present and future requirements of the users of the Australian payments system, demonstrates this.