

eftpos, BPAY Group and NPPA propose to amalgamate for the benefit of Australian consumers and businesses

- *eftpos, BPAY Group and NPPA to be preserved as distinct operations under a single Board with a shared roadmap for innovation and investment*
- *A unified group will aim to improve choice, competition, innovation, efficiency and affordability of Australia's payments system*
- *The proposal is subject to ACCC approval, including a period of public consultation prior to determination*

Australia's three domestic payment organisations, eftpos, BPAY Group and New Payments Platform Australia (NPPA) intend to amalgamate, creating a stronger, unified entity ("NewCo") that will aim to reduce costs, increase innovation and efficiency, and be better able to compete with the growing scale of overseas multinational payment platforms.

In Australia, international card schemes and multinational technology providers are dominating the payments sector. Change is needed to ensure that the Australian payments system supports the best interests of consumers and businesses, through increased choice and competition.

The proposal to amalgamate will seek to realise tangible benefits for consumers and businesses, including a continued rollout of eftpos' existing online capability, which seeks to give Australian retailers and consumers a low-cost option when purchasing online.

A single Board will utilise the strengths of each organisation: including BPAY Group's innovation capability, eftpos' low cost, real time retail payments and digital innovation capability and NPPA's real-time infrastructure management capability.

The proposal was made by an Industry Committee comprising 13 mutual shareholders and eftpos members across the three entities. The Committee was established following the RBA's *Review of Retail Payments Regulation Issues Paper*, which noted consolidation of some domestic payment groups should be considered. After a four-month period of deliberation, the Committee unanimously supported the amalgamation proposal.

Industry Committee Chairman, Robert Milliner, said a new, strong entity is needed to shape payments in Australia and provide sustainable competition to global payment companies for the benefit of local consumers and businesses:

"An efficient, innovative and competitive Australian payments system is vital for consumers and businesses, both large and small. The model proposed will enable us to adapt faster to the changing trends of the digital economy, while preserving and strengthening the components of our payments system that so many Australians value and rely on.

"eftpos, BPAY Group and the NPPA provide Australians with reliable, safe and affordable payments options every single day. Working together towards common goals, they can unlock incredible value, invest more in innovation and realise cost-savings that will ultimately benefit the Australian public."

eftpos, BPAY Group and NPPA will be preserved as distinct operations in a new combined entity with a single Board which will determine a NewCo management structure. Customers will continue to have access to the existing payments methods they know and trust; including BPAY, Osko, eftpos,

Beem It and PayID. Each entity will continue to have its own operating governance and management schemes.

Benefits of the proposal

Amalgamation will aim to address current inefficiencies in the system, by creating a NewCo that provides multi-service infrastructure, broad capability, low cost of acceptance and a unified roadmap that is responsive to changing consumer expectations and technological advancements.

The combined entity will aim to deliver substantial benefits while also protecting the value and brands of eftpos, BPAY Group and NPPA. NewCo will aim to:

- **Apply downward pressure on payment costs:** A unified domestic payments entity will foster low cost real-time account to account and eftpos debit card form factor payments and seek to bring average merchant fees down further.
- **Encourage and enable more payments innovation:** Working towards common goals, joint investments can be made in new and existing payments infrastructure and services.
- **Enhance competition:** Through increased scope and scale, NewCo's goal will be to provide sustainable competition to global payments companies in a rapidly evolving payments landscape.
- **Improve efficiency and speed to market:** Via reduced duplication, the unified roadmap aims to improve efficiency and speed to market of new innovations to meet unmet consumer needs.

Unanimous shareholder support

The Boards of eftpos, BPAY Group and NPPA have executed an agreement to implement NewCo subject to obtaining ACCC authorisation.

eftpos Managing Director Stephen Benton said:

"For over 35 years, eftpos has been giving Australian customers and businesses access to reliable, affordable and safe payments. We pride ourselves on offering customers low cost acceptance options and intend to continue to deliver this. This proposal should allow us to continue to expand our online digital capabilities and innovation in areas such as digital identity, QR codes and mobile wallets including extending the role of Beem It to be an everyday lifestyle app."

BPAY Group CEO John Banfield said:

"BPAY Group has been at the forefront of collaborative innovation within the Financial Services sector and beyond for decades. Our more recent recognition such as one of Australia's Best Workplaces, AFRs Most Innovative Companies, Best Product Innovation is a clear strategic advantage for the Board of NewCo as it transforms into an entity that can literally take on the world, should the ACCC agree that this is in the public's interest or otherwise approve it."

NPP Australia CEO Adrian Lovney said:

"The COVID-19 pandemic has accelerated the pace in which the payments system is evolving. The increasing trends away from cash to online and in-app purchasing highlight how important it is for Australia's domestic payments players to work together and invest in the current and future needs of Australians and how they want to pay."

The new structure

A single Board of 13 Directors will govern the operation of NewCo – comprising four independent Directors including the Chair and nine representatives from the major banks, smaller banks and non-ADIs (such as retailers and other payment processors). Each Director will have one vote, the major banks will have 4 out of 13 votes.

While arrangements could evolve over time with the approval of the shareholders, a key feature of the proposal is that the individual interests of the three entities will be protected. Fundamental

decisions about the operation, funding, or future of any of the three schemes would be subject to determination by those shareholders that use that particular system. Retailers and other users of the eftpos system, for instance, will retain specific veto rights over any proposals that would directly impact eftpos.

The proposal also requires that each organisation’s existing payments-related work program remains unchanged until at least June 2022. This includes:

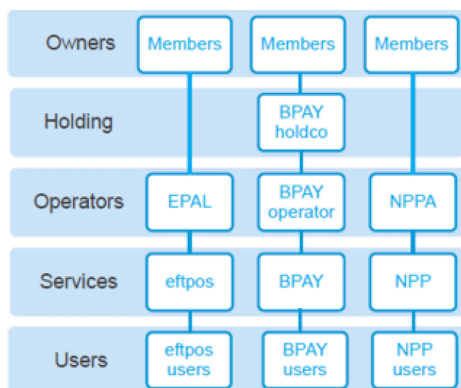
- Extending eftpos acceptance online and in-app, and broadening of Beem It use cases;
- Development of QR codes in accordance with an agreed standard and in coordination with relevant entities;
- BPAY Group roadmap including making BPAY fully available through Application Programming Interfaces (APIs) and the further development of its Osko service; and
- NPP Australia’s Mandated Payments Service which will enable authorised third-party initiated debits from more than 72m Australian bank accounts via a single connection.

A formal authorisation application will be filed with the ACCC in March 2021. The application will provide full details of the proposal and rationale. It will be made publicly available and subject to broad public consultation before the ACCC makes a determination within 90 days.

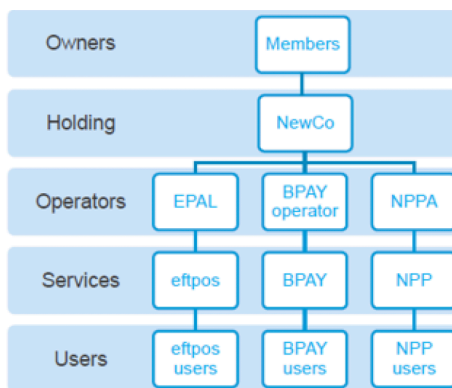
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Notes

Current Structure



Proposed NewCo Structure



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