

**Payments Amalgamation**

**Meeting with ACCC**

**3 June 2021**

# Existing arrangements

The following tables provide a high level summary of some of the key terms of the constitution of each of eftpos Payments Australia Limited (ABN 37 136 180 366) (“**EPAL**”), BPAY Group Holding Pty Ltd (ACN 626 481 525) (“**BPAY Holdco**”) and NPP Australia Limited (ABN 68 601 428 737) (“**NPPA**”) only, based on information in the merger application dated 22 March 2021 (available on the ACCC’s merger authorisations register at <https://www.accc.gov.au/public-registers/mergers-registers/merger-authorisations-register/proposed-amalgamation-of-bpay-efpos-and-nppa>), and should be read in conjunction with that application. Capitalised terms used but not defined in the tables have the meaning given in the relevant constitution or the merger application, unless the context requires otherwise.

# Summary on Ownership

Feature	EPAL	BPAY Holdco	NPPA
<b>Company type</b>	Public company limited by guarantee	Proprietary company limited by shares	Public company limited by shares
<b>Classes of shares / membership</b>	Issuer Class and Acquirer Class – equal rights.	Class “A” or “B” ordinary shares. Preference shares (none currently on issue).	Redeemable preference shares
<b>Dividends</b>	A member may not share in any distribution of profits.	The directors may pay any interim and final dividends as, in their judgment, the financial position of the company justifies. The payment of a dividend does not require confirmation by a general meeting.	Dividends determined by the Board having regard to, amongst other things, the aggregate equity funding of that shareholder.
<b>Transfer</b>	Non-transferrable	<p>Transferable. Must be in writing in any usual form or in any other form that the directors approve, signed by or on behalf of both the transferor and transferee.</p> <p>No transfer of shares of any class will be made other than to another member in proportion to the number of shares held by each member at the time of the transfer. In the event that there is no other member, a member may transfer its shares in that class to a person approved by the directors.</p> <p>A member may transfer all of its shares to a body corporate that is directly or indirectly wholly-owned by that member, a body corporate that directly or indirectly wholly-owns that member (Parent Company) or a body corporate that is directly or indirectly wholly-owned by that member’s Parent Company.</p> <p>The directors may, in their absolute discretion, decline to register any transfer of shares except where a person is entitled to the benefit of a security interest or a person purchases them from a person entitled to the benefit of a security interest.</p>	Non-transferable, other than to a related body corporate of the member.

# Summary on Ownership

Feature	EPAL	BPAY Holdco	NPPA
<b>Member's liability</b>	Liability to contribute on a winding up of EPAL is limited to \$10,000 per member.	Limited to any unpaid share capital.	Limited to any unpaid share capital.
<b>Redemption / Suspension or termination of membership</b>	<p>A member ceases to be a Member on:</p> <p>(a) becoming insolvent or subject to certain types of insolvency proceedings;</p> <p>(b) the Directors terminating their membership if, in their reasonable opinion, the Member no longer satisfies the relevant membership criteria and the member fails to demonstrate that it continues to satisfy those criteria; or</p> <p>(c) the member giving at least three months' notice and complying with any applicable requirements in the Scheme Rules.</p>	Not applicable	<p>NPPA must redeem:</p> <p>(a) some or all of the shares held by a holder, on their request; or</p> <p>(b) all of the shares held by a holder if the holder becomes insolvent, or alternatively buy-back and cancel those shares,</p> <p>for the redemption amount (or buy-back price) of A\$0.01 per share.</p> <p>Subject to the Corporations Act, NPPA may apply the capital contributions of new joiners to redeem the shares of founding members during the Joining Period which expires on 31 December 2022.</p>

# Summary on Participation

Feature	EPAL	BPAY Holdco	NPPA
<b>Connection with ownership/ membership</b>	Mutual. Participation requires membership.	Not a mutual. Ownership not required for participation.	Mutual. Participation requires preference shareholding.
<b>Relevant committees</b>	<ul style="list-style-type: none"> <li>(a) Finance &amp; Financial Audit Committee;</li> <li>(b) Risk &amp; Internal Audit Committee;</li> <li>(c) Remuneration &amp; Nominations Committee; and</li> <li>(d) Rebate &amp; Pricing Committee.</li> </ul>	<p>The directors may resolve to delegate any of their powers to a committee or committees consisting of such number of directors as they think fit.</p> <p>BPAY HoldCo has two committees which oversee all entities in the group:</p> <ul style="list-style-type: none"> <li>(a) Risk Committee;</li> <li>(b) Finance and Audit Committee.</li> </ul> <p>BPAY Group has one committee:</p> <ul style="list-style-type: none"> <li>(a) Remuneration Committee.</li> </ul> <p>BPAY has one committee:</p> <ul style="list-style-type: none"> <li>(a) Under its constitution, it must establish a Management Committee, which is responsible for the effective operation, development, marketing and management of the BPAY Scheme. The Management Committee has 2 sub-committees.</li> </ul>	<ul style="list-style-type: none"> <li>(a) Audit Finance and Risk Committee</li> <li>(b) People and Culture Committee</li> <li>(c) Strategy Committee</li> <li>(d) NPP Governance Committee</li> </ul> <p>The NPP Governance Committee, comprising the independent directors and the chief executive officer, assists the Board in fulfilling its system access and governance, and oversees the compliance of NPP Participants and other parties with NPP requirements and obligations.</p>

# Summary on Governance

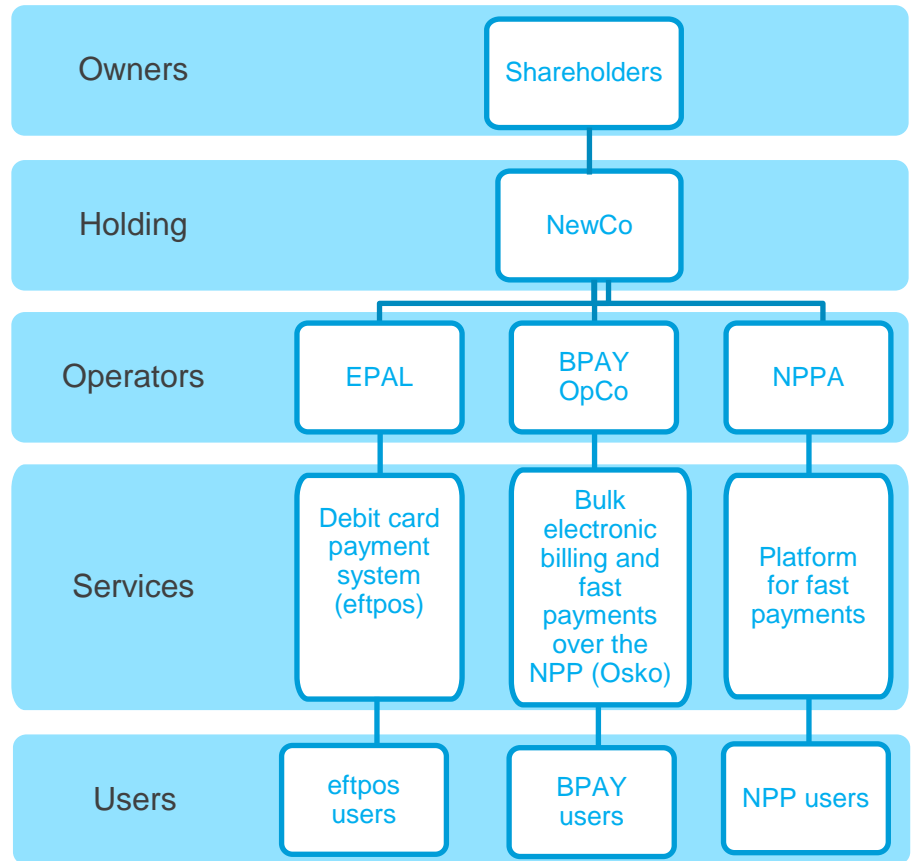
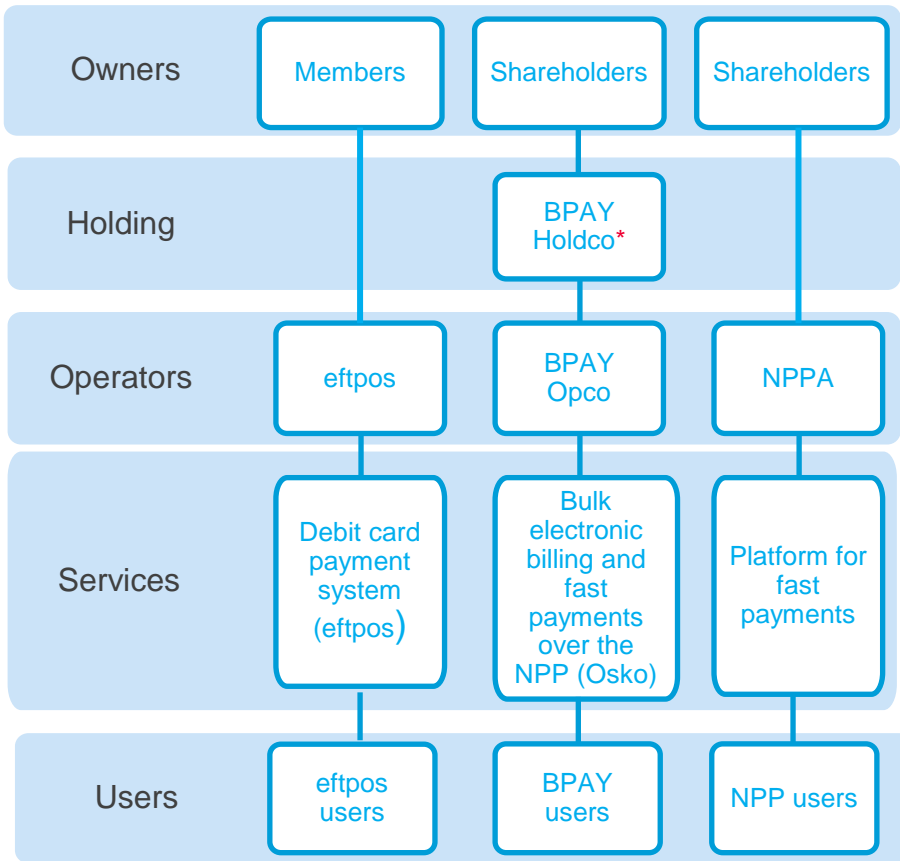
Feature	EPAL	BPAY HoldCo	NPPA
<b>Board composition</b>	<ul style="list-style-type: none"> <li>(a) 3 independent directors;</li> <li>(b) 1 director appointed by each of the following:               <ul style="list-style-type: none"> <li>i. each corporate group which includes one or more members which has scheme volume of at least 5%;</li> <li>ii. jointly by other members whose scheme volume is individually less than 5% which choose to aggregate their scheme volumes to a level in excess of 5%;</li> <li>iii. collectively by other members not covered by (i) or (ii); and</li> </ul> </li> <li>(c) the CEO of eftpos.</li> </ul>	<p>The Board of BPAY HoldCo comprises one representative from each of the Class A shareholders (the Major Australian Banks).</p>	<ul style="list-style-type: none"> <li>(a) 3 independent directors, including the Chair of the Board;</li> <li>(b) 1 representative nominated by each of the High Band shareholders;</li> <li>(c) 4 representatives elected from among the Low and Medium Band shareholders; and</li> <li>(d) 1 director representing the RBA.</li> </ul> <p>The CEO of NPPA also sits on the Board as a non-voting director.</p>
<b>Director voting rights</b>	<p>Voting rights are proportionate to the Scheme Volume of the appointing member or members. Specifically, each director may cast the number of votes which the Member / Members who appointed the director are entitled to cast on a poll at a general meeting.</p> <p>In addition:</p> <ul style="list-style-type: none"> <li>(a) each Independent Director may cast 5 votes; and</li> <li>(b) the CEO may cast the number of votes allocated to them on appointment (but not more than 5 votes).</li> </ul>	<p>Each director entitled to vote on a resolution will have one vote in respect of a resolution.</p>	<p>Voting rights of directors are equal.</p>
<b>Member voting rights</b>	<p>Voting rights of member proportional to its Scheme Volume or, in the case of a Class Meetings, its Acquirer Scheme Volume and/or its Issuer Scheme Volume.</p>	<p>Class "A" shares confer on any holder, present by representative or by proxy or attorney at any general meeting of the company, the right to cast 1 vote irrespective of the number of shares held by the voting member.</p> <p>Class "B" shares carry no voting rights.</p>	<p>One vote per share.</p>

# Summary on Funding

Feature	EPAL	BPAY Holdco	NPPA
<b>Approach</b>	Operates the eftpos system on a commercial basis. Issuers receive interchange fees (except for cashout transactions when interchange flows to Acquirers) and are net recipients of values in the eftpos system. In addition to interchange receipts, rebates are made available to both issuers and acquirers that support eftpos.	Operates BPAY Group and BPAY on a commercial basis.	Economically self-sustaining (as opposed to profit-maximising).
<b>Share subscription / membership fees</b>	A fee is payable on making an application to become a member, in an amount determined by the Board by ordinary resolution from time to time (currently \$20,000).	<p>When the directors issue shares they may differentiate between the holders as to the amount of calls to be paid and the times of payment.</p> <p>The directors may make calls on the members for any money unpaid on their shares which is not by the terms of issue of those shares made payable at fixed times.</p>	<p>Full Participants, Settlement Participants and Clearing Participants in the NPP are required to be shareholders in NPPA.</p> <p>Included in the cost to subscribe for the shares is the hardware and software componentry required to connect via an NPP payment gateway. Settlement Participants (who have no connection to the NPP and therefore no componentry) in any particular band subscribe for half the number of shares held by other shareholders in that band.</p> <p>The issue price of the shares issued from 1 January 2023 steps-down annually until 1 January 2028, such that by 1 January 2028, the issue price will be 75% lower than the current issue price. Partly paid shares may be issued, to enable payment for shares to be made in four equal instalments over two years. Participants that subscribe for partly paid shares are entitled to exercise all the voting and governance rights attaching to them.</p>
<b>Fees</b>	Members must pay such other fees and charges as are prescribed by the Scheme Rules from time to time.	Not applicable	Aims to recover operating costs based on a wholesale unit transaction cost which is charged to NPP Participants.

# New structure





\*The above structure is correct as at the time of lodging the application. Since then, the Holdco Board of Directors (on 2 June 2021) determined that BPAY HoldCo should form part of the proposed amalgamation. As such, BPAY HoldCo, BPAY Group Pty Ltd and BPAY Pty Ltd will be included in the amalgamation. SyphT is not intended to be included in the amalgamation.



# New arrangements

# Objects of NewCo

*“...to provide globally competitive payment services which are resilient, safe, efficient, fair, accessible and cost effective and which meet the present and future requirements of the users of the Australian payments system, including financial institutions and payment services providers, while facilitating the provision of low cost solutions for retailers, other businesses, and their customers.”*

## Governance mechanisms – checks and balances

- Each shareholder of NewCo will have their own class of redeemable preference shares and will have one vote at shareholders' meetings regardless of the number of shares they hold
- The classes of redeemable preference shares will be banded together differently for the purpose of nominating representative directors and specified Special Majority Band Resolutions relating to individual Payment Services
- For example, if a decision were to be made to change the manner of funding the operating costs of eftpos, or the manner in which funds generated by eftpos are utilised, and two directors called for shareholder ratification, it would be necessary for at least 75% of the shareholders who are Members in-eftpos' Payment Service to vote in favour of the resolution before it could be passed

# Governance mechanisms

- NewCo's Board will consist of a mix of independent directors and representative directors
- As noted above, the NewCo shareholders will be banded into different bands for the purposes of appointing the representative directors Band 1 (consisting of the major (15%+) shareholders, being the Major Australian Banks) have the right to appoint 4 representative directors, Band 2 (the smaller (<15%) shareholders who are ADIs) have the right to appoint 2 representative directors and Band 3 (the smaller (<15% shareholders) who are not ADIs) have the right to appoint 3 representative directors Dividends from NewCo will be determined by the Board (without any expectation that dividends will be paid)
- Preference shares redeemable on request at one cent per share

# Influence of Major Australian Banks

The decision-making power of the Major Australian Banks will be decreased as a result of the amalgamation – they will not have positive or negative control of NewCo

All 21 initial shareholders in NewCo will have one vote at shareholders' meetings regardless of the size of their shareholding

In terms of representation on NewCo's board:

- There will be four independent directors, including the Chair
- There will be nine directors nominated by shareholders:
  - Four nominated by Major Australian Banks
  - Three nominated by non-ADIs
  - Two nominated by other ADIs

Directors fees will be paid to the independent directors, but not to representative directors

**Objective of NewCo:** Self-sustaining entity operating in the public interest, focused on meeting the needs of payment users (including low-cost payments via eftpos)

