

18 June 2021

Daniel McCracken-Hewson
General Manager
Merger Investigations Branch
Australian Competition and Consumer Commission

Australian Payments Council: MA1000020 – submission

Dear Mr McCracken-Hewson,

I am writing with regard to the preliminary views of merger authorisation MA1000020, published on 4 June 2021.

I note that point 2.54 in the section heading *Reduced uncertainty allowing for more efficient deployment of capital, sooner* contains the following comment:

Benchmark Analytics considers that the proposed amalgamation is not necessary because a body such as the Australian Payments Council could facilitate investment coordination.

Based on this position, the ACCC is seeking views on

other means of coordination between the banks (e.g., through Australian Payments Council and AusPayNet), and how effective these would be.

The purpose of this letter is two-fold. Firstly, it provides clarity about the scope and remit of the APC and what are regarded as achievable outcomes for this industry forum. Secondly, it reflects views expressed by Council members regarding the efficacy of industry led efforts to facilitate investment coordination.

APC scope and remit

The APC comprises a diverse set of participants, with representation from majors banks, other domestic and international financial institutions, the Reserve Bank of Australia, retailers, national and international payment schemes, technology companies and a telecommunications provider. At the highest level, the role of the APC is to drive the strategic agenda for the Australian payments system and to identify and remove barriers to innovation. More practically, the APC is focused on ensuring that as the payments system evolves, it continues to meet the key characteristics of resilience, efficiency, adaptability and accessibility.

Given the range of participating organisations and the competitive nature of these organisations, investment decisions are specifically not in scope. Rather, the remit of the APC is to identify and form positions on matters of shared strategic interest. The type of collaboration considered in scope for the APC is reflected in the publicly available Strategic Agendas and Annual Reviews which lay out a work plan and report on progress made¹.

A short description of some of the initiatives undertaken by the APC over the last five years provides an illustration of achievable outcomes for this forum:

¹ <https://australianpaymentscouncil.com.au/>

Managing the customer led transition away from cheques.

The APC undertook primary research with a wide range of cheque users between January 2016 and January 2017. The goal of the research was to identify the drivers behind the change in payment habits and to ensure that all users of the payments system continue to have access to a range of convenient and secure payment methods. The APC formed a position that a number of users did not have suitable alternatives to cheques and that industry should focus on making these available to ensure that, in light of accelerated digitisation, these users were not left behind.

The research was made available to APC members and individual participants are forming their own views about the most appropriate course of action, including how to invest in alternatives to cheques.

Data hackathon

In the wake of the Productivity Commission's Review of Data Availability and Use², the APC coordinated a data hackathon involving test payments data in a sandbox environment. The goal of the hackathon entitled "Improving the lives of Australians" was to illustrate how data sharing could deliver benefits to consumers and business, in a variety of scenarios. The APC formed a position that it was beneficial to share data and that alongside that, significant consideration must be given to operational and security requirements to meet resilience and privacy objectives. Recommendations from the Review were a precursor to the Consumer Data Right³ (CDR) the direction and coordination of which is managed by Treasury.

Individual members are responsible for how they implement CDR, to the standards and guidelines set by the Data Standards Body, the ACCC and Treasury.

Digital Identity

In its first Payments Plan, published in 2015, the APC identified that the growth of online payments and the parallel growth in payment fraud and identity theft called for better mechanisms for building trust online. Echoing the Murray Report⁴, the APC formed a position that the fragmentation in digital identity systems was a barrier to innovation which impacted the security and safety of the payments system. In response, APC members funded the development of TrustID, an open contestable framework designed to enable interoperability between a range of competing digital identity service providers. As such, it provided a solution to the problem of fragmentation.

The TrustID framework was completed in June 2019 and activity relating to how services are made available to consumers and business is being pursued by organisations on a competitive basis.

Industry-led initiatives to coordinate investment decisions

Council members have observed the restrictions of self-regulation at both a strategic and tactical level. Strategically, competition law constrains the nature of conversations that are permissible between competing organisations. This means there are real barriers that prevent sharing of commercial information that is required to guide product roadmap and investment decisions.

On a more practical level, there are also limitations regarding industry's ability to enforce standards that work across different payment rails. In line with global trends, the Council anticipates that we'll see greater adoption of payment initiation methods that are rail agnostic, that is, that are not specifically designed to work for cards or account to account rails. QR codes is a simple example of a rail agnostic standard.

² <https://www.pc.gov.au/inquiries/completed/data-access/report>

³ <https://www.cdr.gov.au/>

⁴ <https://treasury.gov.au/publication/c2014-fsi-final-report>

The Council understands that while industry is well advanced in its efforts to specify a QR code standard for payment, working with a wide range of providers from technology companies to payments schemes and financials service providers, the question of enforcement of this standard is unresolved.

In summary, the Council concludes that the APC is not an appropriate forum to facilitate investment coordination and more broadly observes that industry has experienced challenges in facilitating similar coordination.

On behalf of the Australian Payments Council,



Robert Milliner
Chairman, Australian Payments Council

The following organisations currently have direct representation on the Council:

Australia Post, Australia and New Zealand Banking Group Limited, Australian Payments Network, BPAY Group, Coles Group Limited, Commonwealth Bank of Australia, Cuscal Limited, Macquarie Bank Limited, National Australia Bank Limited, NPP Australia, Reserve Bank of Australia, SWIFT, Visa, Westpac Banking Corporation.