



Proposed amalgamation of BPAY, eftpos and NPPA- MA1000020 a submission by Controlabill Pty Ltd.

Dear Chairman Sims,

Thank you for the opportunity to comment and thank you specifically to Sophie Mitchel who granted an extension for this submission until 21 April 2021.

This submission has four sections supported by documents which are attached:

1. Controlabill opposes the application on its lack of public benefit or provable strategic rationale.

- There is no evidence that the amalgamation will result in any public or consumer benefit.
- The proposal offers no improvements to competition, pricing or service.
- Nor has any quantifiable cost or process saving been offered as a reason.

2. Controlabill's experience has been that NPPA and its bank shareholders will use its market power to quash/ stonewall potential competitors or market challengers.

- Controlabill has patented and copyright IP rights relating to Centralisation of Authorities or Mandates that form the basis of pull payments.
- We believe the MPS intends to copy these or breach these patents.
- Attempts by us to engage in reasonable discussions around licencing or acquisition. have been stonewalled at all levels. (Attached documentation) and threats received from KWM.
- Ultimately our only path may be by legal action resulting in delays and we believe a very embarrassing and public discovery process for Government, Regulators, and Banks which is so unnecessary if our counter parties would only engage to discuss a simpler and wider customer solution.

3. The new entity will be ungovernable.

- It is likely Newco will supplant NPPA in the model described below.
- There will continue to be no point of authority or appeal that could be accessed by any party with a grievance including the RBA.

4. KWM seems to have a conflict of interest

- KWM works for NPPA.
- KWM also represents the Banks identified as part of this application.
- KWM led a recent CDR inquiry that arrived at conclusions which were favourable to the NPPA.
- We believe that the inquiry into governance within the industry should be independent and at arms-length from all parties and that KWM should recuse itself.

Controlabill rejects the application on its lack of public benefit or provable strategic rationale

On the merits of the application, both described and not described (The fate of Osko and MPS are not detailed, that we could find, see below re overlay services) we believe that the proposed merger should not be allowed to proceed as it will consolidate a payments cartel that strongly favours the big four banks and that they will likely be Newco's primary shareholders (marked confidential in the application)

Gathering all players in one entity will allow Newco to use market hegemony to even more effectively prevent competition from non-cartel banks, payment start-ups and other Financial Institutions who have to compete for capital on the merits of their innovations and market acceptance.

The fate of the MPS and Osko as strategic product developments seems to be unclear in the application and perhaps this needs to be much more transparent.

It will become clearer Controlabill has issues with the development of the MPS.

Furthermore, in its Authorisation Application in 2017, NPPA annotated as follows:

"While NPPA owns and operates the NPP infrastructure, it will not itself own, operate or provide overlay services to be offered using the NPP¹⁰

¹⁰ Note that NPPA will ensure the NPP supports the basic interbank service which is contemplated as part of the NPP infrastructure. However, commercial and compliance services will generally be provided in the form of 'over-the-top' or overlay services. "

The ACCC should confirm firstly whether in developing a Mandated Payment Service NPPA is developing a product outside of its remit. We believe that the MPS and Osko are both overlay services. MPS product descriptions and intentions are available online and illustrate customer detail capture and storage.

Secondly the ACCC should confirm how these services will be affected as the legal entities change. Newco will no doubt not be bound by the above. Therefore, it is arguable that the merger may be an attempt by NPPA to circumvent conditions imposed on it by the ACCC, if indeed these still exist.

No financials have been made publicly available. Controlabill is aware however, that calls have been made for transaction subsidies be made to the NPP. Those calls have been made to Government by several parties. The ACCC should assure itself that internal subsidies from Eftpos and BPAY are not in fact the real reason for this application and that product prices across the board do not rise in order to facilitate the ongoing funding of NPP and the MPS.

In our submission to the CDR inquiry (attached) we pointed to the propensity for technocratic solutions to fail. Again, we have no real financials to go on but suspect the MPS as described by NPPA is both expensive and likely to fail because of its complexity and narrow focus for both Billers and end Customers. We would have thought the entire strategic rationale for the NPP was simply “faster and cheaper”. Again, perhaps the ACCC should focus on the go forward strategies of the entities to ensure the real objective is not cross subsidisation and transfer pricing.

Most pull payments are made in batch, frequently by geography, and are available through BECS very cheaply and are up loadable by billers 4X daily. Controlabill strongly believes there is little demand for this NPP service unless it is substantially cheaper and simpler for users The ACCC should look at the cost of a NPP pull transaction and its attendant MPS process cost as a comparison compared to BECS.

The industry has made many expensive but ultimately unsuccessful attempts to deliver a centralised customer system that will support competition. Most have failed because they were designed by technocrats who introduced too much complexity and ignored the voice of consumers in the process design.

Program	Cost	Outcome
Tick and Flick	Unknown	Failed (too complex)
Mambo	> \$250 Million	Abandoned (too complex)
Open Banking	> \$750 Million	Failed in UK (too complex) likely to fail here
NPPA / CMS	Unknown	Calls for subsidies, too complex and lack customer focus re simplicity

Overall, Controlabill believes that in terms of the public benefits there is no detail or quantification of guaranteed benefits (how much of what by when) that could justify support by the ACCC.

Controlabill’s experience has been that NPPA and the banks will use market power to quash /stonewall potential competitors or market challengers

Notwithstanding other recent cartel behaviours exhibited such as when Apple entered the market and applications to the ACCC by the big four to stop it, Controlabills experience is that despite a clear intent by NPPA and its MPS to infringe Controlabill patents and copyright it has been advised by KWM as per the attached threatening letter to us.

We strongly believe many of these parties may have been poorly advised by KWM who seem to prefer a confrontational position but that may have been a management instruction which we don't understand.

Controlabill has attempted to engage with NPPA and its management, NPPA's board when management refused to engage in reasonable discussions as we called for, NPPA's Shareholders when we could not engage with its board. Including the RBA whose response and method of response we considered unusual (Details are available to the ACCC if requested)

Prima -facie, Controlabill owns patents in areas where NPPA – MPS proposes to operate. These Patents were formally applied for in April 2007 and granted in 2012 and relate to Centralised Authority Management (or mandate) Budgeting and Bill Smoothing

The patents were constructed in a catch- all manner to group all three above functions but also to separate all three facets. Which have been approved as separate claims. The patents also cover any and all Authorities and or Mandates and therefore cover any centralisation of BECS, Cards and NPPA customer instructions. Controlabill's simpler, cheaper and wider approach has been proposed many times to the RBA and to individual banks (where we hold NDA's) and also to APCA now AUSPAYNET together with ASIC and the CDR Inquiry. Our patents and copyright concern purely authority management for the Consumer and the Biller It does not impact the NPPA platform and is agnostic to development protocols such as ISO 20022 or XML. Prior to this invention there was no centralisation of customer Authorities or Mandates or gateways to do such.

We have been advised by counsel to await the release of the MPS before deciding on further action.

We have attached below for the ACCC's perusal and records the following documents

- Submission to the RBA (Submission to ASIC on request).
- Submission to the CDR inquiry.
- [REDACTED]
- Letters to the Boards.
- Letter from KWM.







Controlabill's records are extensive and are available to the ACCC on request including those to various Ministers

The new entity will be un-governable

Governance within the payments industry already reflects cartel behaviour. The same people and entities seem to appear in all bodies with the exception of the RBA's payment system board where perhaps at least the functions of Auspaynet should be rolled up for better customer outcomes.

We understand this model is to be reviewed by Treasury. Featuring heavily in this review is KWM who seem entirely conflicted. Controlabill suggests to ACCC that this should disqualify it entirely as an acceptable independent entity to conduct the Frydenberg review.

The model as it stands is entirely a barrier to competition which should be concern for the ACCC. Some months ago, we conducted the analysis below (and recognise that some individuals may have changed) and if Newco becomes a substitute for NPPA in the model then most of the objectives of the Application are achievable without the need for a merger, product cross subsidisation excepted.

	NPPA	AusPayNet	Australian Payments Council	Payment Systems Board
<i>Chairman</i>				
	Bob Mackinnon <i>(Ex CBA, Westpac)</i>	Robert Craig <i>(Ex Banker)</i>	Robert Milliner <i>(Ex KWM)</i>	Philip Lowe <i>(RBA)</i>
<i>CEO</i>				
	Adrian Lovney <i>Ex-Cuscal</i>	Andy White <i>AusPayNet</i>		
<i>Directors</i>				
	Jim Tate <i>Westpac</i>	Chris Campbell <i>Westpac</i>	Jim Tate <i>Westpac</i>	
	Albert Naffah <i>CBA</i>	Lynda Macmillan <i>CBA</i>	Simon Birch <i>CBA</i>	
	Nigel Dobson <i>ANZ</i>	Jackie Kallman <i>ANZ</i>	Nigel Dobson <i>ANZ</i>	
	Rachel Slade <i>NAB</i>	Dianne Shay <i>NAB</i>	Shane Conway <i>NAB</i>	
	Tony Graham <i>Macquarie</i>	Olivier Mc Ardle <i>Macquarie</i>	Tony Graham <i>Macquarie</i>	
Other Bank / Finance Industry	Michael O'Shea <i>Bendigo Bank</i>	Kees Kwakernaak <i>First Data</i>	Julian Potter <i>VISA</i>	
	Craig Kennedy <i>Cuscal</i>	Kate Mulligan <i>Banker</i>	Craig Kennedy <i>Cuscal</i>	
	Scott Southall <i>Citibank</i>	Jennifer Clark <i>Banker</i>	Jan Mason <i>Quest Payments</i>	
		Mark Tibbles <i>AUS Settlements</i>	John Banfield <i>Bpay</i>	
		Derek Weatherly <i>Indue</i>	Paul Askew <i>Coles F.S.</i>	
			Andy White <i>AusPayNet</i>	
	Greg Johnston <i>RBA</i>	Michelle Mc Phee <i>RBA</i>	Lindsay Bolton <i>RBA</i>	
Technocrats	Elizabeth Hallett <i>Counsel</i>			
	Chloe Munro AO <i>Independent</i>			
				<i>Arms-Length Directors</i>
Consumer Advocacy	n/a	n/a	n/a	n/a

KWM seems to have a conflict of interest

Controlabill struggles to understand how the same firm can be chosen across the Consumer Data Right, while it also represents NPPA, and the Big Four, at least under this submission. KWM have also been announced to conduct a review of the payment's governance model going forward.

It is Controlabills view that these should be tendered for and any party conflicted in any way should recuse themselves. Without doing so review conclusions will be questionable and the money spent on them open to political examination.

Controlabill is already concerned that the report into the future direction of the CDR is strongly biased in favour of NPPA.

Indeed reasonable suggestions by us under the CDR inquiry that the right place to impartially hold mandate data is Australia Post as part of it digital ID platform didn't even get a mention nor was there any mention of a looming IP issue even though we wrote to Scott Farrell personally, privately and publicly [REDACTED]
[REDACTED]

The ACCC should be concerned about the public interest and impartiality in these reviews.

Conclusion

It is Controlabill's view that the ACCC should conduct a detailed econometric review of this application as per the above and against alternatives.

That the ACCC approach Treasury to recommend the revocation of the KWM review of Governance and put said to tender.

That the ACCC prudently await the findings of such a review as those outcomes are material.

That the ACCC investigate the findings of the Inquiry into the future direction of the CDR for bias in its recommendations as KWM partners firm was clearly already acting for interested parties.

Overall Controlabill would like to be party to change from a currently a very negative confrontational win / lose situation where the go forward situation may lead to many senior executives and politicians being embarrassed, especially true post Hayne, into one where the industry can move forward with a better solution. A solution which offers a win, win outcome with the ability not only to conveniently manage authorities in a wider context inclusive of BECS and Cards but, also offers a platform for product development in the management of recurring bills in a customer budget that allows for bill smoothing which will open up a massive opportunity to responsibly offer substitut BNPL products as a consequence.

We also commend for review the structures we put forward in the attached that might invite billers to be equity partners in something extremely beneficial to them.

Controlabill remains open to discussions re licencing and IP acquisition with any interested organisations.

Bernard Wright.
Founder Director
Controlabill Pty Ltd

21 April 2021



21/05/2019

Secretariat,
Inquiry into Future Directions for the Consumer Data Right
The Treasury
Langton Crescent
PARKES ACT 2600

CONTROLABILL Submission to 'Inquiry into Future Directions for the Consumer Data Right'

Dear Mr Farrell,

Controlabill Pty Ltd (Controlabill) and its Directors thank Treasury, its Secretariat and Mr Farrell for the opportunity to comment on and propose solutions for review and consideration. We would appreciate the ability to engage further and share more detail of the implementation program with the inquiry should it wish to move forward.

Synopsis

We fully support the aims of Treasury in relation to CDR but believe that they will never be achieved with a solution that is designed or controlled by market players with oligopoly power, such as those within the banking and service markets.

We propose a hub, supported by legislation, separate from banks and billers and at 'arms-length' from interested parties. Our solution contains three key elements that we call the A, B, C of open banking:

- Authority management App and biller API's

- Budgeting and Bill Smoothing
- Centralised management of Open Banking, Broker and Comparator Delegations and CDR authorities

We believe that our proposal meets or exceeds all the expectations and requirements of Treasury for the CDR in that it will;

- Expedite easier switching of vendors,
- Save households and businesses thousands of dollars directly and indirectly through better budgeting, better product selection and loan risk assessment,
- Offer efficiencies to Billers, Brokers and Comparators,
- Be independent of any payment system and is agnostic to BECS or NPPA in how it links all Banks, Bank accounts, Credit Cards and all Biller service providers,
- Provide open access to all parties while providing the consumer with complete control over that access,
- Promote competition and supplier innovation in a substantive way and at a speed that other potential solutions may not.

Not only does this proposal support all of the visions and hypotheticals in the briefing paper. It could also become the authentication and delegation hub for all consumers and businesses using the CDR or open banking and manage this efficiently going forward. Our research shows high levels of comprehension and forecast adoption.

Treasury aims for the CDR will never be achieved with a solution that is designed or controlled by market players with oligopoly power, such as those within the banking and service markets.

There is an understandable tension between oligopolists' desire to reduce churn, minimize costs, maximise profits and the goals of Government, Regulators and Consumers which are to maximise competition, innovation and utility while minimising price.

We agree with Alan Fels when he said last year "open banking" is good in principle. "But I suspect effective implementation will be difficult and resisted in countless ways by banks".

After multiple failed attempts at self-regulation, it seems clear that banks will not willingly make it easier to switch and to increase competition. We should expect similar behaviour from other large oligopoly service providers in Energy, Insurance and Telecoms.

It has been our experience that while large billers see the advantages of centralised authority management and the efficiency that it un-locks, they also enjoy the status quo, as it provides a barrier to switching and product churn.

We also believe that complexity will become an issue;

- It remains difficult to switch banks or accounts because so much effort is required to contact all billers to update all your direct debits,
- No bank has more than 40% share of wallet and the average number of financial relationships is 3.2 per household. As a result, multiple open banking requests are necessary to build a picture of an individual or a household,

- Then there is the issue of joint and several account ownership and the privacy complications arising from this.

Granting access to open banking could become just too hard if accessibility also leads to paralysing complexity.

Moreover, self-regulated oligopolies provide no internal pressure for innovation and change. It is noteworthy that no bank in Australia provides an active/ predictive, set-and-forget budgeting service, though this is a core reason for being for a bank. Similarly, no biller consortium has come forward to make direct debit authority management simpler.

Also, it is unclear to us and some Regulators how the NPPA can distance itself from its shareholder relationships and possible monetary returns, particularly where there are complex share of wallet effects with multiple banks being involved in any customer relationship and where those relationships extend beyond the 13 shareholders.

The Royal Commission, the RBA, the ACCC and the Competition Commission recognise and have expressed disappointment with progress to achieve innovation and competition. Left to the vested parties, it is entirely possible that this important matter may be dragged out for years.

We offer a solution, which is based around centralised direct debit management, but extends beyond that to meet more requirements of the CDR

Centralised authority management offers a simple yet elegant way to provide a centralised gateway for managing open banking authorisations, renewals and delegation of CDR rights to various brokers and comparators.

We propose the creation of a hub, independent of banks and billers and independently managed as a piece of customer infrastructure.

This hub entity would be entirely consumer focussed with a completely different governance model; Less input from banks and billers and more from consumers, small business and consumer lobby groups.

This simpler customer centric business model works with and enhances existing initiatives. In this way the CDR can be used to remove one of the key barriers to both switching and to competition in a solution which is complimentary with open banking and adds to its functionality.

We have approached the problem by understanding customer behaviour, in their spending patterns and their utilisation of the Direct Debit system.

- Sixty percent of a typical household's expenditure is recurring and non-discretionary. These are the must pay bills and households have around 230 bills to pay each year. These amount to an average of \$71000.00 per household.

- Today the largest proportion of bills are settled using the Direct Debit system. Each year, 1.3 billion such transactions are processed, and we estimate 120m authorities are held to drive this system.
- Obtaining and managing these authorities is a broken, inconvenient and expensive process for billers and consumers alike. Banks are not involved in this part of the process currently as it is usually attached to the sales /service aspect of the customer relationship with the service provider. It is widely recognised that direct debit management is a significant barrier to competition and as such, innovation.
- We estimate each household has given an average of 12 such authorities to their providers but, they have no way to conveniently or effectively manage them.

However, the data held, in this clunky distributed system, one authority with each biller, holds the key to unlocking the **who pays who, how much, when and for how long, and from which bank or card account** Pulling this together enables a simple consolidated view into a household and or businesses suppliers and their **market competitive** essential expenditure.

Why stand alone?

As a piece of stand- alone, open access infrastructure, this model can be delivered more quickly than could normally be achieved by large organisation timeframes and has been designed to have little or no impact on supplier systems.

A further advantage of our proposal is in how it differs from open banking and screen scraping, in that it allows no access to discretionary spending information. This may appeal to many consumers. It remains complementary with open banking and screen scraping tech where the customer might also wish to see their full historic budget position. So, consumers can choose to forward budget for their recurring bills only, or alternatively, choose to get a full picture of their spending across all their relationships.

A centralised authority management system can be easily enhanced to provide a centralised gateway for managing open banking authorisations / renewals and delegating CDR rights to various brokers and comparators for other services.

Our solution has three elements:

Element A:

Authority management App and biller API's

The solution is simple and very cost effective. Element A is fully scoped and costed.

Key functionality includes;

- i. Customer registration and authentication,

- ii. Customer detail changes and delegations,
- iii. Customer biller provider details,
- iv. Customer budget planning,
- v. Biller, Bank authority changes,
- vi. Biller Admin modules via API.

This system provides for a singular view of all recurring expenditure and a seamless set up of a 'forward looking' budget that takes just 15 mins to set up for the year ahead. Change of single bank or account details or biller takes just 30 seconds.

Set up is self-initiated but, could be delegated to another party by the customer (say, a Bank, Fintech, H&R block or a non-profit for those that might find it difficult to set up and manage for themselves). These could be supported by a series of purpose-built call centres that would both assist disadvantaged groups by phone and contribute to indigenous and regional employment.

Our process could also fully replace Centrepay which is particularly clunky for billers.

Element B

Budgeting and Bill Smoothing

This includes third party services, lines of credit and other dedicated accounts such as a two-account services to support bill smoothing (explained in more detail in the attachment). Essentially, all income enters the income account and a smoothed amount is paid into the "pay bills" account. This leaves discretionary expenditure in the income account and all recurring bills fully accounted for. Services such as overdrafts or lines of credit could be provided by third parties to assist in bill smoothing.

Element C

Centralised management of Open Banking, Broker and Comparator Delegations and CDR authorities

Notification to billers and banks that a certain comparators or brokers have been given CDR authority to act on their behalf. This essentially becomes a hub for Centralised management of Open Banking and CDR authorities.

Government needs to be directly involved

This proposal will need direct intervention from Government.

There is precedent for such intervention. Government had to legislate the CDR to push very reluctant banks to Open Banking. Similarly, the RBA had to structure an operating model for NPPA to create a mutually owned Industry infrastructure model where thirteen banks are shareholders and have funded the development.

Intervention would be in the form of:

Legislation

We believe the review must recommend legislation to get full cooperation of all billers even though very little will be required of them.

Funding

A review will need to look at various operating models and recommend a go-forward approach. Options include;

a) Shareholder funding

Top 100 billers are about 95% of the direct debit system. We suggest that in the same way as the RBA created a “mutually owned industry infrastructure for NPPA with contributions from shareholders then the inquiry might replicate that with a Biller entity or ‘Mutual’ where for a share holding, a number of billers (say 10) are invited to invest \$1 million. Returns for said shareholders are efficiency gains far exceeding this figure plus substantial ROI and annuity revenue streams,

b) Funding by Government loan or possible Government agency

Paid back from entity access (customer approved sale of big data to banks and brokers) and transaction revenues over 5years with a return on capital to Government. Fastest to market approach,

c) Venture Capital or Private Investor

Venture capital will need to see research, market modelling and a pricing strategy that gives an acceptable ROI and be guaranteed operational certainty. Some months to obtain and probably slowest to market albeit faster than current proposals.

In Summary

In a post Covid economy it is entirely appropriate and timely for Government and Regulators to seek out the best and fastest and most efficient ways forward for the CDR. Many Consumers and Businesses are, or will be, in hardship and in need of every assistance and in the shortest time frame possible. Our solution is easy to implement makes switching easy and will deliver substantially better household budgeting outcomes that are simple to set up and the data held will drive significant product savings across the whole spectrum of expenditure. In competing for business there will be an uptick in related product innovation and competitive pricing.

Overall, because we only improve set up and storage of payment authorities, we are agnostic to any payment systems that do the transactions and because we never enter the payment system or make any payments we are a **simpler but, effective, efficient and cheaper solution** to build with fewer compliance needs.

This process drives significant benefits to all parties to the system and facilitates other objectives of Government and Regulators such as **Digital Identity**. Household spending patterns and their financial situation are based on real data, developing accurate financial benchmarks that inform best-practice lending standards for Government agencies and credit providers alike.

We have no objection to any information, contained herein, being made public for the purposes of discussion and regulatory strategy development. We have no objection to the review sharing this information with Ministers, the RBA, the ACCC or other parties deemed appropriate.

Final thought

If you want something to change then you have to change something!

Regards,

Bernard Wright.
Founder Director
Controlabill Pty Ltd



21/05/2020

Supporting information and Appendices

- 1. The importance of Direct Debit**
 - a. Relevance of Direct Debit to the CDR**
 - b. The attraction of Direct Debit**
 - c. Addressing the pain points of Direct Debit**

- 2. Introduction to Controlabill**
 - a. Current situation business environment**
 - i. The Consumer Value Proposition**
 - ii. The Biller Value Proposition**
 - b. Proposed Solution**
 - c. Implementation Approach**
 - d. Required Investment**

1. The Importance of Direct Debit

While the direct debit system is the fastest growing payment solution, a lack of meaningful system improvements over many decades has impaired the customer experience and satisfaction with the channel, together with much reduced innovation and market competitiveness. Several very expensive attempts to fix this problem have either failed or not meaningfully met regulatory or Government policy objectives.

While obtaining authorities is the responsibility of billers, there has been no attempt to build a common solution that centralises recurring payments for consumers. Today, it is an expensive and inefficient process for both billers and customers. These authorities are expensive to obtain and are held separately by each biller. We propose a different, centralised model.

We estimate that around 120 million authorities exist in Australia today and using our proposal for aggregation or centralisation could achieve cost improvements of around \$10 (conservatively) plus per authority managed while charging billers around \$2 for the service. The process we propose, could be built quickly in conjunction with Controlabill and supports several different operating models. We believe the hub can quickly establish a \$100 million business, driving efficiency dividends of around \$1 billion for billers.

Australia's utilisation of direct debit is growing quickly, yet we lag behind the UK and Europe in utilisation. We also lag in improvements in response times to instructions. Organisations like the Single Euro Payments Area (SEPA) are orchestrating continuous and systemic customer focused improvements to direct debit.

a. Relevance of Direct Debit to the CDR

The Centralised Management of Consumer and SME Authorities should be a new process wherein a customer has a data right to access simply the information captured in the Authorities he or she has severally or jointly given. This data should be assembled in a way that simply allows access to the data even though multiple Banks, Bank Accounts or Credit card accounts and multiple biller service providers or subscription service providers may be involved.

Consumers, businesses and billers are increasingly opting to use Direct Debit (described as a pull payment system, as the biller pulls money from a customer's account in settlement of bills) as the payment channel of choice for all their recurring bills. But, before a single transaction can be undertaken, the biller needs to obtain the customer's authority to allow it to pull that money from the customer nominated account. These **Authorities** contain information such as **who pays who**, from **which bank/ account or card** and **how much, when and for how long**.

Bringing all this valuable data together into one place in a central hub for the customer, creates convenience, time saving, set and forget budget opportunities and a means to administer all their Authorities and CDR permissions.

It will also generate competition (given the customers permission, it will be possible to share this data with multiple specialist brokers and comparators and to manage those permissions easily in one place) and innovation on a huge scale. Moreover, it can be done cheaply and quickly compared to other solutions.

b. The attraction of direct debit

The growth in direct debit not only continues but, the growth is accelerating. This reflects direct debit's efficiency and convenience to both customer and biller.

It is also by far the largest system by value and near the top in the number of transactions. It continues to grow, in depth and breath, as more and more transactions are converted to subscriptions.

Traditionally Direct Debits were restricted to just the larger non-discretionary payments such as rent, mortgage utilities, and hire-purchase, however, in the last five years many other types of purchase once firmly in the area of discretionary payments are now being channelled into the regularly recurring payments area. Software, music, movies, gym memberships and magazines are now often purchased by subscription rather than one off purchase. Even in areas that are traditionally covered by direct debit such as those mentioned are now offered with a much wider choice of payment frequency. You can now choose to pay your utility bills monthly instead of quarterly, even mortgage payments traditionally paid monthly can be paid weekly or fortnightly, offering considerable savings over the long-term.

c. Addressing the pain-points of direct debit

Direct debit is a very efficient payment mechanism for Billers but has a critical flaw when it comes to user friendliness, in that it is cumbersome and time inefficient to set up, change or stop. The current process stands as a barrier to competition. For the user, managing the system is chaotic and constrained.

The process by which authorities are set up, modified or cancelled, varies from biller to biller (even though the information taken is always the same), which means, in aggregate, we have a very complicated and difficult to manage system; especially from the point of view of the customer or payer (who has on average 12 authorities to manage) and to a lesser extent the biller. Since regularly recurring payments form, (by value) are the largest share of the average household payments, it makes sense that the management of these payments should be streamlined and devoid of any unnecessary friction.

To ensure the system works as planned, the customer also needs to know they have:

The right money ... in the right account ... at the right time

Getting it wrong for just one of the above could mean late charges, dishonour charges, disruption of service and even credit impairment.

In summary, the problems with the Direct Debit system can be stated as follows;

- **Cost:** Although the transaction costs are lower for Billers, the cost of setting up and managing the Direct Debit can be quite high. While paper systems are gradually being replaced by Phone and Online setup there is still a significant management cost, especially when customers want to change something. Consumers also find the hassle and time cost too high as well.
- **Administrative Burden:** The set and forget concept is great... until it isn't. Everyone that has lost a credit card to which subscriptions are attached knows this difficulty.
- **Lack of Control:** Since the current system is set up individually by each biller, the customer is faced with a wide range of different forms, options, and rules. As such consumers often feel they are ceding too much control. The difficulty of managing such a diverse process leads to the fear that due to a forgotten commitment we may inadvertently overdraw, or

worse still be stranded with no way to pay and/or embarrassed when our card is declined unexpectedly.

It is important to note that our system (which just makes the management of these authorities easier) has nothing to do with the actual payments system “plumbing” itself, be it the current BECS system or NPP. Indeed, whatever system is used, even if both are used in parallel, the underlying authority, and the management of that authority and its extension to the CDR will be a key determining factor of the success of that system.

It is our belief that the friction in the current “system” of Direct Debit management is a significant factor in reducing competition, not only in the banking system but also in areas such as energy, telecommunications and the more prosaic gym memberships. The complexity and sheer hassle involved in changing direct debit authorities, often impedes the desire to change banks, credit cards, or suppliers.

It is often said, perhaps cynically, that billers and banks, like the direct debit system the way it is because it reduces churn and creates stickiness. That may be true, but a business or indeed an industry that bets its survival on locking customers in, really has no long-term future. We believe that Government, Authorities and Regulators are duty bound to ensure that the system is designed such that it does not encourage or support such anti-competitive behaviour but, instead enhances it.

Derivative benefits will accrue such as improving lending decision making because customers future expenditure commitments are far more visible and accessible to lenders. This in turn, meets several other objectives of Government and Regulators such as Bank and other service provider switching, Open Banking and stimulating competition among service providers to the benefit of Australian households. There are also significant efficiency dividends for billers and banks together with cross-sell opportunities. For the consumer, convenience and simplicity drive peace of mind and substantial dollar benefits.

The Controlabill AMS system could go a long way to solving the pain and friction of this part of the payment system. In so doing, it would encourage its growth and remove a significant barrier to competition and make our financial system and other large incumbencies such as energy companies more efficient.

We submit, that with a mandate from Government Controlabill’s AMS system could gain necessary traction and in so doing a significant barrier to competition could be removed and the objectives to improve the nation’s systems as envisioned by the RBA, ACCC and Parliament and many others could be well served, quickly and economically.

2. Introduction to Controlabill

Controlabill is a small start-up company in a payments adjacency (it makes no payments) with patents granted over a critical part of the payment system, namely the centralised management of the authorities that drive pull payment systems, such as, but not limited to Direct Debit.

Our Authority Management System (AMS), will take out the friction associated with Direct Debits, and thereby encourage its growth, improve competition between financial institutions and major billing institutions such as Energy companies, Telcos, Insurance and many other companies. While we have approached leading industry players, such as major banks, utilities and so on, we have not been able to convince any one of them to, shall we say, break ranks and pursue this concept. On the other hand, we do hold the patents to the business model which we know by research is much needed

In late 2013 early 2014 Controlabill raised capital funding of \$600k which proved wholly inadequate to get the job done. Since then we have tried to partner with many organisations singularly and collectively illustrating for each the substantial competitive advantage they would get domestically and globally.

In 2014 Controlabill's IP was granted Patent status. Our two granted patents run until April 2027.

These cover;

- Centralisation of the establishment, change, suspension or cancellation of Authorities given by a consumer or small business that facilitates a payment.
- Using data in the authorities for the purpose of the creation of a recurring payment budget and its separation from discretionary payments,
- Bill smoothing across the quantum of said expenses.

As previously stated Controlabill's solution never touches the payment system. This makes it an extremely low-cost build compared to other solutions past and present. It is entirely indifferent to the plumbing of the payment itself and is indifferent as to whether the payment is settled using BECS or NPP or Credit Card, for example.

Controlabill's IP drives significant benefits to all parties to the system and facilitates other objectives of Government and Regulators such as a cheaper way of providing an entry point and a management point to most of the Consumer Data for CDR in Open Banking and its extension to Telco's, Utilities and Insurance

The hub App is also able to utilise real data rather than HEM, algorithmic or other static data in budget systems or statements of position. Also, what we propose will substantially increase capabilities like process improvement and efficiency dividends. It will also create a new product innovation platform, build customer trust through customer intimacy, while also driving time savings, improved credit scores and monetary benefits to consumers including the reduction of late payment fees (currently circa \$350 per household).

The founders of Controlabill foresaw this need and have created and protected a system which removes the problems.

At its core, Controlabill's patented system is a customer centric, secure, cloud-based management system where a customer can setup, manage, modify and cancel all his or her Direct Debits. From this core Controlabill has also developed concepts for money management, budgeting, bill smoothing, account switching and CDR permission management

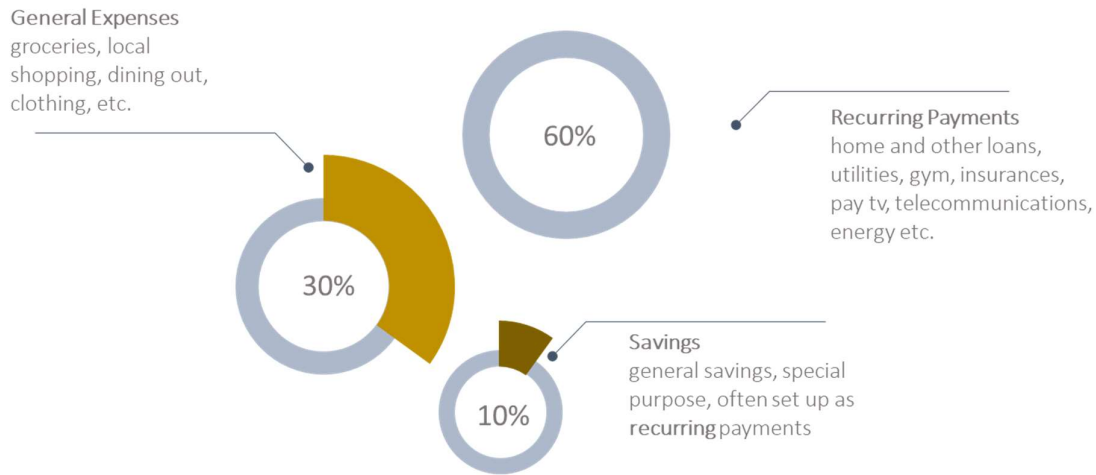
Centralised authority hub delivers on the objectives of the CDR for competition and switching

1. Much simplified, real-time updates of authorities. Instructions can be enacted online in real time (previously weeks);
 - a. One at a time (add, remove or change a single provider),
 - b. All together (when changing Bank, Bank Account or Credit Card details or moving home) takes seconds, not hours,
2. 360-degree acknowledgement in real time (previously weeks),
3. Authorities never touch value transactions therefore the system is a much simpler build and allows separation of essential payments from discretionary spending,
4. Data in the authorities allows for a forward projected household budget that can be set up in minutes by the data owner (or delegated to specialists),
5. Smoothing of bills is designed into the system. Multiple set up options exist using one or two accounts such that income is deposited in one account and monies for essential recurring expenditure is switched to a "Pay bills" account,
6. "Pay bills" accounts may carry overdraft or line of credit facilities to manage timing differences,
7. Data in the hub may be easily shared with multiple entities, leading to product innovation,
8. The more the system is be used, leads to stronger authentication and stronger digital identity,
9. Can be used for loan assessment and better credit scores and consequent pricing,
10. Authority categories allow for specialist brokers/comparators to be selected and managed under the CDR and a consumer may wish to pick several, one for each category, the app makes this process simple to manage. Savings per household are substantial as indicated. Multiple brokers may be chosen from many,
 - a. Finder is capable of looking at all categories but specializes in credit cards,
 - b. Compare the market can do all categories but specialize in general insurance as does Choosi,
 - c. Lendi and Mozo do Lending and Home loans,
 - d. iSelect specialize in health insurance.

a. Business environment

Recurring household expenditure

Recurring payments now represent 60% of household expenditure. This increase is likely to continue as billers increase bill frequency and more shift to recurring subscription models. In addition, consumers enjoy the convenience of “set and forget” payments that avoid late fees and provide peace of mind.



The market is saturated with budgeting solutions and most of these are static and look backwards into history. Controlabill will show a simple method to not only set up a household budget that looks forward and takes only 15 minutes to do, but once done will also be truly set-and-forget for the consumer for at least the year ahead. This service could also be delivered by trusted advisers.

We believe it is well understood that the direct entry system is the largest payment system in the recurring expense arena with around 8.5 million households conducting over 100 million transactions monthly (more than 1.3 billion annually) in Australia alone and growing rapidly. These statistics would suggest that the greater part of every household’s recurring budget is already settled via this channel. Other channels such as BPAY and Post Billpay are reducing in size.

Analysis suggests that there are circa 120 million authorities driving this system and the information contained in them is critical to the objectives of the CDR. Centralising this data at the customer level also leads to potentially better interest rates (which is the simplest benefit to achieve) and better delegation to specialist brokers and comparators.

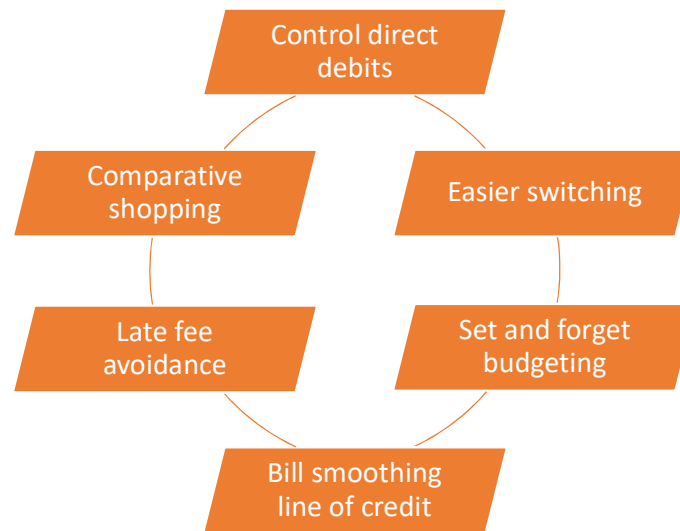
The next figure constructs a typical family budget using the same 2016 Household Income and Expenditure Survey which concluded that the typical household expenditure exceeds \$70,000.

Compare and Save Product	Annual Payment	Pay by Direct Debit	Possible Savings from Supplier Comparison	Your Savings
Mortgage	\$30,000	Yes	\$2,500	
Medibank	\$2,000	Yes	\$400	\$388
Car Insurance 1	\$1,000	Yes	\$200	
Car Insurance 2	\$1,000	Yes	\$200	

Life Insurance	\$600	Yes	\$100	
Income Protection	\$1,200	Yes	\$200	
Home and Contents	\$1,800	Yes	\$400	
Pets	\$500	Yes	\$100	
Phones	\$3,500	Yes	\$500	
Internet	\$1,200	Yes	\$300	
Pay TV	\$1,200	Yes	\$300	
Personal Loan	\$5,000	Yes	\$1,000	
Car Lease	\$5,000	Yes	\$1,000	
Credit Cards x 3	\$6,000	Yes	\$2,000	\$2,315
Electricity	\$4,000	Yes	\$400	
Gas	\$2,000	Yes	\$200	
Sub Total	\$66,000		\$9,800	\$2,703
Non-competitive Payments				
Rates	\$1,200	Yes		
Water	\$1,200	Yes		
Car Registration	\$1,400	Yes		
Subscriptions x 3	\$400	Yes		
Sub total	\$4,200			
FINAL TOTAL	\$70,200			

Importantly, all the elements of this hypothetical budget can be paid for by the set-and-forget direct debit system. The figure also suggests possible savings are to be had, should permission be granted to a Broker or Comparator to use this information to get a better deal. Our research suggests savings of near to \$10,000 could be achieved per average household if only their data was better structured and in a format that giving permission to a third party broker or comparator is simple. Controlbill achieves this in its process framework

i. Value Proposition for Consumers



Controlabill's IP is able to capitalise on a wealth of consumer-led data to;

1. Control direct debits

Gives a single point control to the consumer for the purposes of easy establishment, changes, suspension and cancellation of their Authorities. If a household had the details of its providers and the authorities given, in a central app then moving home, moving bank, moving supplier is two second task,

2. Easier switching

This allows also for simple switching and authorised information can be passed to third parties for the purposes of soliciting competitive offers,

3. Set and forget budgeting

The establishment of a forward-looking budget is a set and forget process that takes 15 minutes with a single biller set up in as little as 20 seconds. Once set up, payments are made automatically, saving late payment fees and any blemishes to a credit score. Saves time and provides peace of mind in managing finances stemming from a once a year set-up. Assists in the building of a digital identity of a customer, their recurring spending patterns and their financial situation based on real data, the extent to which a consumer may be able to fully provide this data to a credit provider may result in significant pricing benefits in loan applications Research shows a 40- 65% household uptake of this budgeting process. Time poor customer love it because it saves time and removes the late payment risk. Cash poor customers because it ensures payment and gives peace of mind. Organised people because it does what they do more efficiently and disorganised because it brings control,

4. Bill smoothing

Assist the customer to separate essential payments from discretionary payments and to provide for them by a regular transfer to the bill payment account. A line of credit or overdraft may be established to manage timing differences,

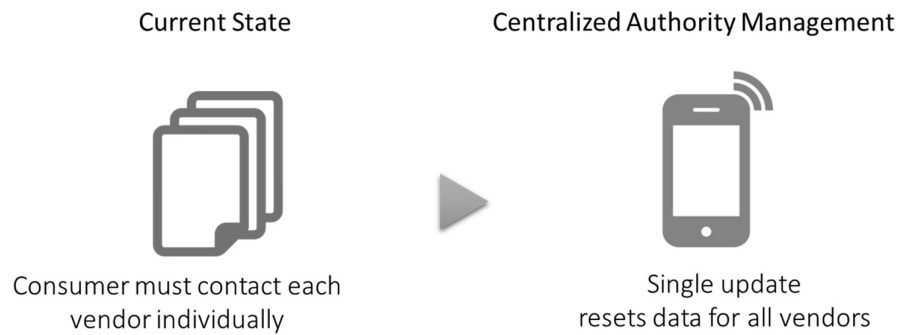
5. Late fee avoidance

Assist the consumer in saving hundreds of dollars (typical household is \$350) per annum in late payment fees,

6. Comparative shopping

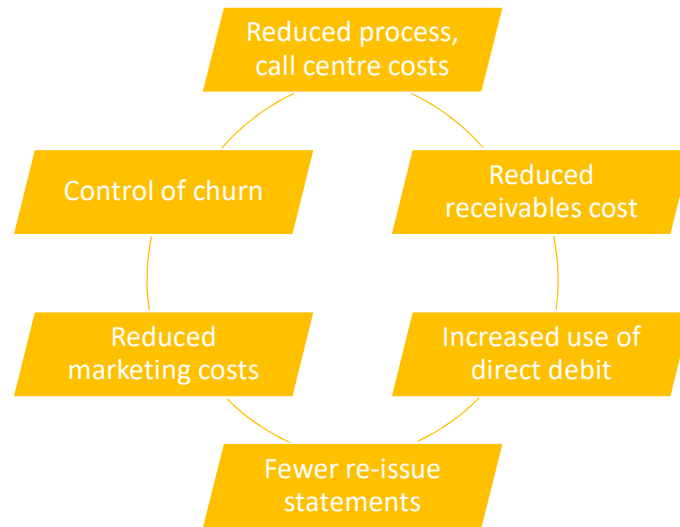
Sharing data for loan consolidation for sharing with trusted brokers financial planners and comparison business,

Centralised authority management also solves a significant consumer problem by providing a very convenient means of managing or transferring direct debits.



These tools are accessible via mobile, tablet or PC app

ii. **Value Proposition for Billers;**



1. **Reduced Process and Call Centre costs**

Billers prefer direct payments for multiple reasons related to control of their receipting processes, lower transaction costs and savings in reminder bills. A centralised management facility that makes it easy for billers to establish and manage via API to facilitate daily electronic file update and retrieval. Online access to consumer authorities for the full statutory period,

2. **Reduced receivables costs**

Direct debit is cheaper than other payment channels and billers are in control of payment timing. Cost of obtaining the authority is reduced dramatically. Our process charges a low set fee per authority created or changed and an ongoing maintenance fee that is significantly cheaper for the biller,

3. **Increase the use of direct debit**

Most billers attempt to increase the usage of this channel and the proposed process will provide incentive for consumers to use it as they gain better control,

4. **Fewer re-issue statements**

The process of bill smoothing will improve the paid on time ratio reducing other costs,

5. **Reduced marketing costs**

Consumer control breaks down resistance to direct debit leading to greater uptake and lessens the need for expensive marketing and incentives to use Direct Debit,

6. **Control of churn**

Billers' real time information relating to a cancellation request, alerts retention teams to achieve improved retention and customer lifetime value.

b. Proposed Solution

We propose the creation of a piece of National Infrastructure, in consortia with Controlabill, Government, and other potential trusted parties.

This National Infrastructure will provide the backbone to understanding actual cash flows of customers and the suppliers they use. The infrastructure will be platform-based, separating a customer's recurring payments from discretionary spending while automating the Authority process for a seamless and transparent process solution to managing their household expenditure. The platform would capture Authority metadata, providing customer-led insights on spending patterns and the customer's financial situation, while also allowing for digital wallet and other product development.

Firstly, using our solution makes possible the separation of daily life purchases from those must pay recurring payments (60% of the average household's expenditure is on recurring bills) and most of those are paid by direct debit and most suppliers would like to increase the proportion of receivables settled this way.

Our offering has been extensively researched, demonstrating extremely high levels of market attractiveness and household take up. For the consumer this is the only process where an actual operating budget can be set up in 15 minutes for the year ahead, and once set, requires no further action. Aside from being able to provide real data to a prospective lenders, this IP has many other benefits to all parties which is explained below.

Government and Regulators have made it quite clear that they would like to see substantially more competition and easier switching and better control of life admin and these drivers have been at the heart of the Controlabill solution our design mantra is **save time, save money and give peace of mind.**

c. Implementation approach

Our proposed solution contains three elements:

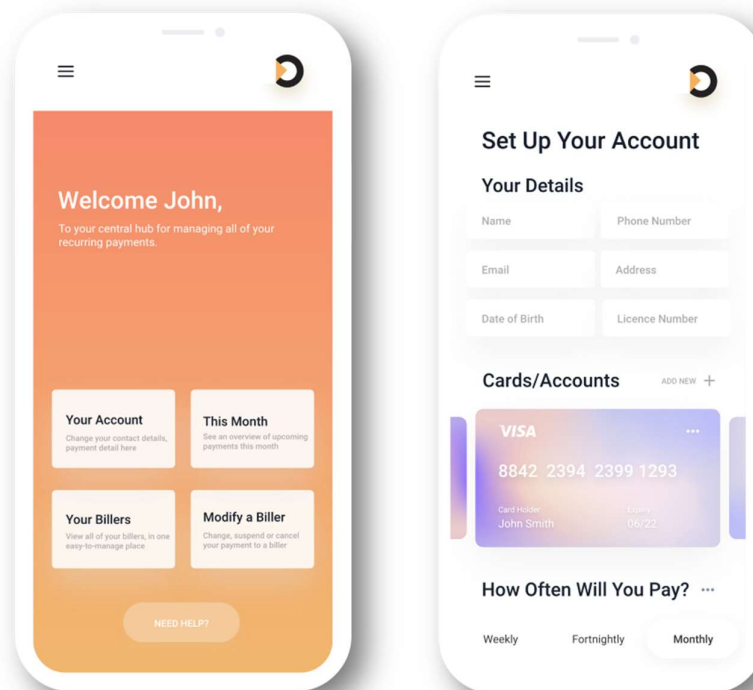
Authority Management

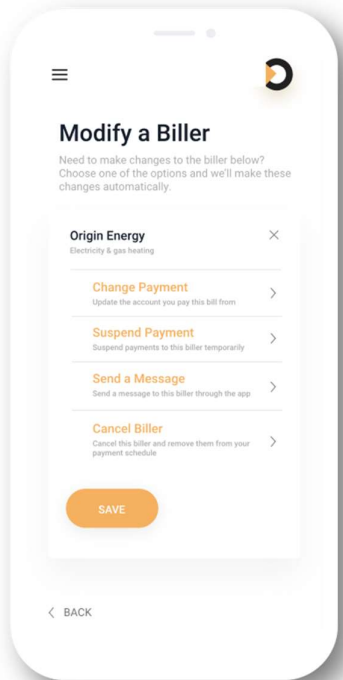
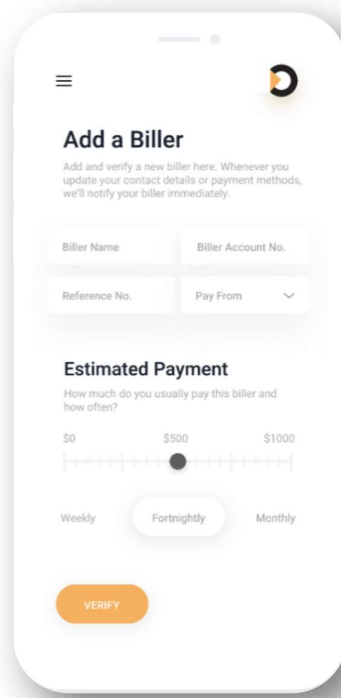
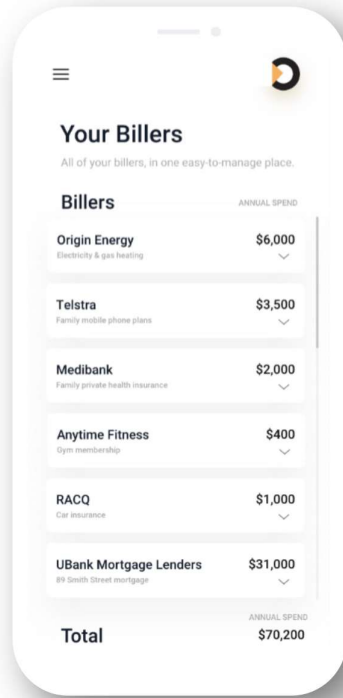
Create the central authority management hub, coupled with a forward-looking budget. Phase one handles all account types that can accept a direct debit from any Bank or Credit Card issuer, either singularly or with multiple accounts at the same time. Phase one also establishes API's with billers.

The basic screens cover: log on and authentication (not shown), home screen, initial set up, a summary screen of your billers and the amounts you pay them annually, adding a new biller and modifying an existing biller.

The system is simple to use, allowing individual biller changes or macro changes to all your billers at once. Changing banks, billers or moving home can be done in seconds.

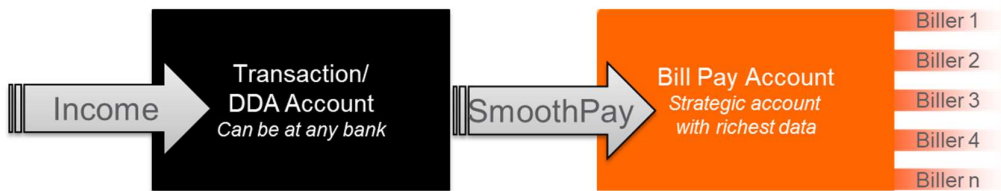
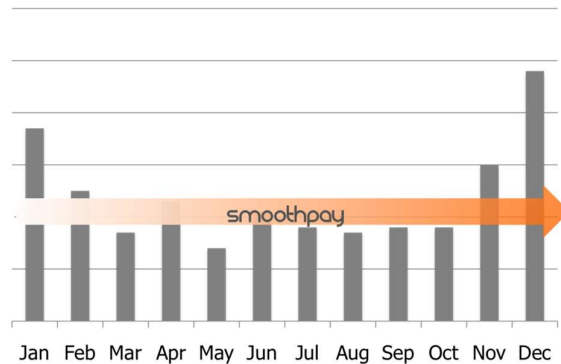
Not shown, is the verification of instructions, which is sent by billers to acknowledge the change instructions have been received and acted on (360-degree verification) Not shown also is the permissions for third party access.



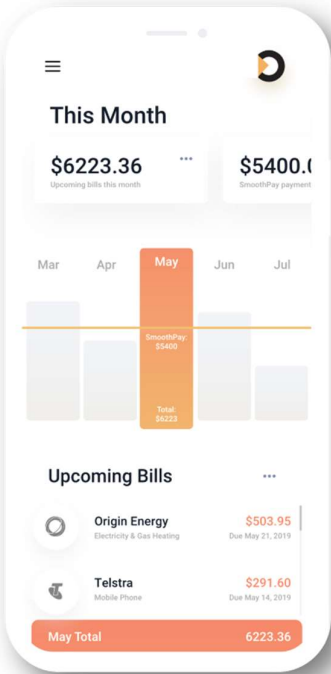


Bill smoothing

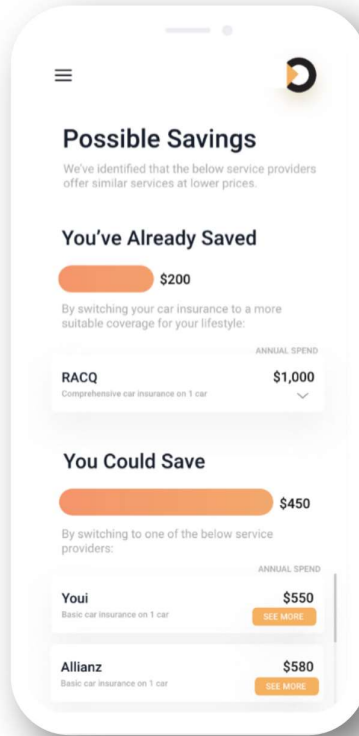
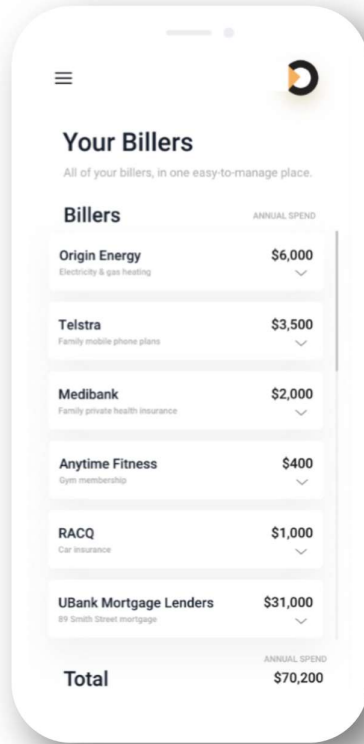
There is significant seasonality in bills and a few above-average months can make budgeting difficult. Smoothpay enables customers to calculate a flat amount per pay cycle and allocate this to their bill payment account. Customers can then choose a transaction/DDA account or another account with a line of credit to manage timing differences. A flat amount per pay cycle is transferred to the bill pay account to ensure all bills are paid on time. Centralised bill smoothing across all bills is simpler and better for consumers, billers and banks



The bill smoothing screen could look like the following:



Comparison Services – The solution manages permissions that allows for sharing of information with trusted brokers and comparison services to obtain better deals. Once given, the system may make competitive product suggestions and remind you of savings already made and those still to be made.



d. Required Investment

This solution can be established and marketed to the community for less than \$10m in start-up funding covering the Build, Staffing and Marketing and thereafter, it can be set up to run as a profit centre. BACS in the UK created a complete resource centre for direct debit which could be done by BECS or whichever pull system replaces it in this country to great community benefit.

This cost estimate compares most favourably with Tick and Flick, MAMBO where hundreds of millions were invested.

In its deliberations the review might also take a view that this could be established by an independent GOC who would run this to the benefit of the Community and Government policy. A biller consortium could manage this as an independent entity. It might run similarly to NPPA, EFTPOS or B-pay as another possibility.

Lastly, of course there are a very large number of FinTech's that would benefit from running this as a separate business. For a FinTech this is an entry point into payments and its rich data without needing to get involved in the payments space, which can be complex and expensive. An Apple or a Google could take this global as the processes described here are ubiquitous globally.

Establishment of this central approach can be achieved at a fraction of the cost of current processes, because it only improves on the authority process which is ubiquitous. We never get involved with the payment or the payment system in any way.

Controlabill recognises, as does the RBA and the ACCC, that the tension between the payments industry working together on improving systems faces the dual issue of institutional inertia and fundamental conflicts of interest. This has frustrated everyone through Government, Treasury, Regulators Media and Customers alike.

Controlabill offers a solution that can be built now, faster and more cheaply for consumers and small business.

26/07/2019

Reserve Bank of Australia

Attn: Mr. Tony Richardson

Dear Tony,

CONTROLABILL'S SUBMISSION to the RBA - re NPP Functionality and Access

Controlabill Pty Ltd (Controlabill) and its Directors thank you, your team and the RBA for the opportunity to comment on NPP's Consent and Mandate System (**CMS**) and its potential overlap with Controlabill's patented Authority Management System (**AMS**).

The Direct Debit system is by far the most efficient form of payment, both from the customers (Payers) and suppliers (Billers) point of view, and most likely all the participants in between. It is also by far the largest system by value and near the top in the number of transactions. It continues to grow, in depth and breath, as more and more transactions are converted to subscriptions.

Despite all this, the management of the system is chaotic and constraining. Our research shows that Australia's take up of Direct debit is considerably behind that of the UK and Europe, and not that far ahead of the US.

Our submission revolves around our IP concerning the management of Direct Debit **Authorities**. These Authorities are the essential underlying mandate or permission from the Payer to the Biller granting the latter permission to pull money from the Payers bank or card and as such is that is the foundation of the system. Without such a mandate or authority from the Payer, no system can work.

We contend that our solution can fix much of what is wrong with the current system, and there is no need to wait for the implementation of the CMS system.

The current way these authorities are set up, modified and cancelled varies from biller to biller, which means, in aggregate, a very complicated and difficult to manage system, especially from the point of view of the payer, and to a lesser extent the biller. Since regularly recurring payments form, (by value), the largest share of the average household payments, it makes eminent sense that the management of these payments should be streamlined and devoid of any unnecessary friction.

It should be noted however, that our system has nothing to do with the actual payments system "plumbing" itself, be it the current BECS system or the mooted CMS under the NPP. Indeed, whatever system is used, even if both are used in parallel, the underlying authority, and the management of that authority will be a key determining factor of the success of that system.

It is our belief that the friction in the current "system" of Direct Debit management is a significant factor in reducing competition, not only in the banking system but also in areas such as energy, telecommunications, right down to the fabled gym membership.

The complexity and sheer hassle involved in changing direct debit authorities, often trumps the desire to move banks, change credit cards, or change suppliers.

It is often said, perhaps cynically, that billers and banks, like the direct debit system the way it is because it reduces churn and creates stickiness. That may be true, but a business or indeed an industry that bets its survival on locking customers in, really has no long-term future, and the authorities and regulators are duty bound to ensure that the system is designed such that it does not encourage or support such anti-competitive behaviour.

The Controlabill AMS system could go a long way to solving the pain and friction of this part of the payment system. In so doing, it would encourage its growth and remove a significant barrier to competition and make our financial system and other large incumbencies such as energy companies more efficient.

Controlabill's AMS, in conjunction with NPP features such as PayID, the objectives of the so called but failed "tick and flick" initiative and account number portability program would largely be solved.

Moreover, Controlabills AMS could be implemented in well under two years at a very small fraction of the cost, of the proposed CMS, and even if the CMS were to go ahead the Controlabill AMS could be designed such that it would work with either system, even in parallel.

While we have approached leading industry players, such as major banks, utilities and so on, we have not been able to convince any one of them to, shall we say, break ranks and pursue this concept. Clearly, as you would understand, it is not likely that a small company such as ours would have the ability to gain the trust of billers and indeed payers to implement the system single handedly. On the other hand, we do hold the patents to the idea and will fight to protect our rights.

We submit, that with the encouragement of the RBA, Controlabills AMS system could gain the traction it deserves, and in so doing a significant barrier to competition could be removed and the objectives to improve the nations systems as envisioned by the RBA, ACCC and Parliament and many others could be well served, quickly and economically.

Regards

Bernard Wright – Founder Director

A grey rectangular redaction box covering the signature of Bernard Wright.

26/07/2019

Introduction to Controlabill's IP

Controlabill is a small start-up company in the payments space with patents granted¹ over this critical part of the payment system, namely the management of the Direct Debit Authority. Our Authority Management System (AMS), will take out a lot of the friction associated with Direct debits, and thereby encourage its growth, improve competition between financial institutions and major billing institutions such as energy companies, telcos, insurance and many other companies.

Derivative benefits will accrue such as improving lending decision making because customers future expenditure commitments are far more visible and accessible to lenders. This in turn, meets several other objectives of Government and Regulators such as Bank Switching / Open Banking and stimulating competition among service providers to the benefit of Australian households. There are also significant efficiency dividends for billers and banks together with cross-sell opportunities. For the consumer, convenience and simplicity drive peace of mind and substantial dollar benefits.

Controlabill's offering and patented IP is a simple, low cost, centralised hub for customers to manage their payment instruction Authorities in one place.

Authorities drive Australia's direct entry payment system which is growing rapidly and settling approximately 1.3 billion recurring household direct debit payments each year². The authority drives and describes the relationship with the Consumer, and the Biller service provider and the permission given to the service provider to draw funds from the customers bank account. Authorities also contain the essential information to build an accurate view of a customer's expenditure habits and our granted patent covers the usage of this information for the purpose of creating a set and forget budget and from this the establishment of an aggregated bill smoothing process which is a convenience feature for consumers and SME's and is essential to wallet product development.

To summarise Controlabill's patent, it covers the centralisation of the establishment, change, suspension or cancellation of Authorities given by a consumer or small business that facilitates a payment.

The patent goes on to cover using data in the authorities for the purpose of the creation of a recurring payment budget and its separation from discretionary payments.

It goes on further to describe bill smoothing across the quantum of said expenses.

As previously stated Controlabill's solution never touches the payment system. This makes it an extremely low cost build compared to others solutions past and present. It is entirely indifferent to the plumbing of the payment itself and is indifferent as to whether the payment is settled using BECS or NPP or credit card, for example.

Controlabills IP drives significant benefits to all parties to the system and facilitates other objectives of Government and Regulators such as a cheaper way of providing most of the Consumer Data CDR of Open Banking and its extension to Telco's, Utilities and Insurance for the purposes of creating innovation and competition.

¹ AU2007242060B2

² Australian Payments Council (2018) *Framing the next generation of payments: Annual Review 2018*. Available at: https://www.auspaynet.com.au/sites/default/files/2018-11/AnnualReviewFINAL_WEB_5November.pdf.

Consumer benefits

Controlabill's IP is able to capitalise on a wealth of consumer-led data to;

1. Gives a single point control to the consumer for the purposes of easy establishment changes suspension and cancellation of their Authorities. This allows also for simple switching and when authorised information can be passed to third parties for the purposes of soliciting competitive offers
2. Saves time and provides peace of mind in managing finances stemming from a 15 minute once a year set and forget budget
3. Build a digital identity of a customer, their recurring spending patterns and their financial situation based on real data, the extent to which a consumer may be able to fully provide this data to a credit provider may result in significant pricing benefits in loan applications,
4. Assist the consumer in saving hundreds of dollars (\$350) per annum in late payment fees and
5. Research shows a 40- 65% uptake Time poor customer love it because it saves time and removes the late payment risk. Cash poor customers because it ensures payment and gives peace of mind. Organised people because it does what they do more efficiently and disorganised because it brings control.

Biller benefits

Billers prefer direct payments for multiple reasons related to control of their receipting processes lower transaction cost and savings in reminder bills.

Billers Prefer Direct Debit and Controlabill's process allows for;

7. This to be white-labelled to a central management facility that makes it easy for billers to establish and manage via API
8. to facilitate daily electronic file update and retrieval.
9. Online access to consumer authorities for the full statutory period
10. Consumer control breaks down resistance to direct debit leading to greater uptake and lessens the need for expensive incentives
11. Our process charges a low set fee per authority created or changed and an ongoing maintenance fee,
12. Billers achieve significant cost reductions in Billing, Credit, Receipting Call cCentres and Statementing as well as improved retention and lifetime value.

Bank benefits

There are multiple benefits for banks;

1. It answers the Regulatory push for the removal of direct debit barriers to switching,

2. Significant float of new deposits Recurring bills are 60% of household expenditure,
3. New product opportunities. Also, what we propose will substantially increase capabilities like process improvement and efficiency over current processes. It will also create a new product innovation platform, and build customer trust through customer intimate solutions,
4. A simple service for regional customers to manage their finances,
5. Controlabill's IP demonstrates that some very basic changes made to the way we create Authorities in the direct entry system will enable improved lending decisioning. develop accurate financial benchmarks that inform best-practice lending standards for Government agencies and credit providers. Banks use real data rather than HEM, algorithmic or other static data in budget systems or statements of position. intimacy while also driving time savings, improved credit scores and monetary benefits to consumers including the reduction of late payment fees (currently circa \$350 per household),
6. Much improved financial planning.

The Direct Debit System Today

Consumers businesses and billers are increasingly opting to use Direct Debit as a payment channel. Traditionally Direct debits were restricted to just the larger non-discretionary payments such as rent, mortgage utilities, and hire-purchase, however in the last five years many other types of purchase once firmly in the area of discretionary payments are now being channelled into the regularly recurring payments area. Software, music, movies are now often purchased by subscription rather than one off purchase. Even in areas that are traditionally covered by direct debit such as those mentioned are now offered with a much wider choice of payment frequency. You can now choose to pay your utility bills monthly instead of quarterly, even mortgage payments traditionally paid monthly can be paid fortnightly, offering considerable savings over the long-term.

THE PAIN OF DIRECT DEBIT

Traditionally the set up and management of these Authorities was the purview of the client's bank, however in the eighties, in most countries this responsibility was devolved entirely to the biller. Consequently, the payer needs to deal individually with each biller for which he or his household, has a direct debit arrangement. Each biller has a different system, and requires unique information from you, to interact with their system. The complexity, hassle factor and sheer time that is needed when a customer wants to or has to (in the case of lost cards) switch payment accounts at a bank or credit card company, will only get worse as the system grows. An oft touted benefit of Direct Debit is the concept of 'set and forget'. The problem is that when you need to remember the details to make a change, it becomes a nightmare – most customers DO forget the details. Who remembers their energy bill account number?

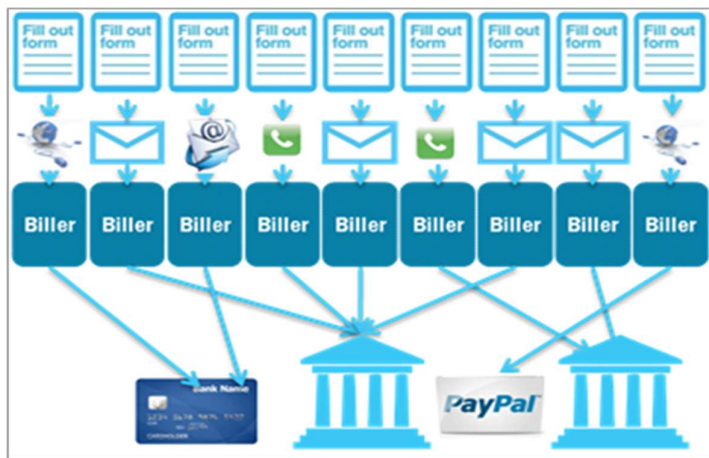


Figure 1 The Direct debit payment landscape today. Like a payments jungle. This will only get worse over time as complexities increase through customers having more payment accounts, more direct debits, and higher payment frequencies consumers manage multiple forms and formats interfacing through mail phone and online methodologies through to multiple biller processes paid by multiple accounts.

Moreover, gone are the days when the average household had just one bank account. Today, typical households can have two or three bank accounts; self-managed super accounts, not to mention a whole host of credit and debit cards, linked to different accounts. People often want to chop and change to take advantage of promotional offers³, manage cash flow or simply manage their affairs, and while some billers may quietly relish the idea that making things difficult for the customer to control the relationship, this is no basis to build sustainable customer loyalty, indeed the opposite.

³ Promo offers like double points, interest free periods etc.

The pain, however, doesn't stop at the set up and management of the authority. As Direct Debit becomes more ubiquitous some households with 15 to 20 Direct debits are faced with managing 250 to 300 payments a year, that's more than 1 per business day.

To ensure the system works as planned, the customer needs to know they have:

- the right money
- in the right account
- at the right time,

Get it wrong in just one of the above could mean late charges, dishonour charges, disruption of service and even credit impairment.

It's a hard-enough task to manage as it is... it becomes even more difficult when you are managing your finances as more and more people do, via your mobile device.

In summary, the problems with the Direct Debit system can be stated as follows

- **Cost:** Although the transaction costs are lower for Billers, the Cost of setting up and managing the Direct Debit can be quite high. And while paper systems are gradually being replaced by online setup there is still a significant management cost, especially when customers want to change. Consumers also find the hassle and time cost too high as well.
- **Administrative Burden:** The set and forget concept is great... until it isn't. Looking at the figure 1, a sought of a payments jungle, one can see the difficulty a consumer might have should he want to change the relationship of a biller from one bank/card to another.
- **Lack of Control:** Since the current system is set up individually by each biller, the customer is faced with a wide range of different forms, options, and rules, As such consumers often feel they are ceding too much control. The difficulty of managing such a diverse process leads to the fear that due to a forgotten commitment we may inadvertently overdraw, or worse still be stranded with no way to pay and/or embarrassed when our card is declined unexpectedly.

The irony of this payment management nightmare in an area that supposed to be 'set and forget' is remarkable, so why is direct debit continuing to grow as a payment channel?

THE ATTRACTION OF DIRECT DEBIT.

Despite the difficulties discussed above however, the growth in direct debit not only continues but in many cases the growth is accelerating⁴. The reason is simply that direct debit is an attractive and convenient solution to all the parties involved.

- **For the customer,** it has the advantage of ensuring that bills are paid on time, avoiding late charges, disruption of service, and credit rating protection. Once set up there is and virtually no administration, so lots of time saved.
- **For the biller;** Cash flows are more predictable, late collection costs are less, transaction costs are lower, and customers tend to be stickier⁵
- **For the banks** in between, whilst they may earn higher fees from other systems such as B-Pay⁶, their costs are lower with direct debit, and they are less vulnerable to disruption from new payments companies because they control the infrastructure.

There is also other drivers such as the rise of the subscription economy, higher payment frequency options which our analysis uncovers that explain the growth and indeed provide

⁴ Reserve Bank of Australia, Capgemini World Payments Report 2014, McKinsey, BCG Global Payments 2014, BACS UK et al

⁵ This could be controversial because some argue that the reason direct debit Customers are "stickier" is because of the hassle factor of changings

⁶ B-Pay is a Bank owned system

good reasons for believing the future of direct debit is strong in Controlabill's covered markets and the rest of the world. We explore these in more detail in the Direct Debit Market section of this memorandum

THE CONTROLABILL SOLUTION

The founders of Controlabill foresaw this need and have created and protected a system which removes the disadvantages listed previously in this document.

At its core, Controlabill's patented system is a customer centric cloud based the management system where a customer can setup, manage, modify and cancel all his direct debits. From this core Controlabill has also developed concepts for money management, budgeting, bill smoothing and ultimately account switching.

These features will not only by and large eliminate most of the disadvantages of the current system, they will enhance the existing money management and budgeting tools and provide one of the main missing links, that can make the digital wallet a reality.

The customer's ability to manage from one central place all his direct debit authorities includes the benefits of features such as "change once change all", particularly good for lost card, or account switching. Benefits of linking to the banks money management and budgeting tools will also be significant.

Billers by outsourcing⁷ the set up and management of their direct debits, will lower their costs, and as a consequence of the easier management for customers, they will be able to move more and more customers onto direct debit. They too will benefit from the "change once change all" convenience that is made possible by an independent centralised system⁸.

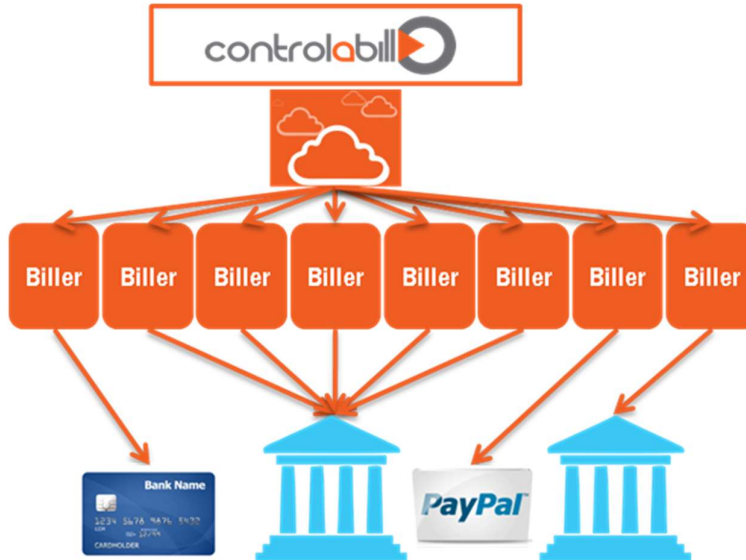


Figure 2 a much more streamlined approach

⁷ For the most part, Controlabill's set up system will be embedded into the biller's web site or be linked by an API. After setup however the customer will be able to manage each direct debit from a centralised hub.

⁸ No biller could implement this feature unilaterally.

Payments Environment

The following graphic was assembled using data from the 2016 household income and expenditure survey and while we appreciate there is no such thing as an average, the typical households is as reflected in the survey. Gathering actual data is critical to the lending decision.

recurring household payments

While payments is a hot space around the world, most activities are focused on “sexy” services and wallets designed to capture general expenses. Recurring payments driven by direct debits/payments is a massive, high growth, overlooked category.

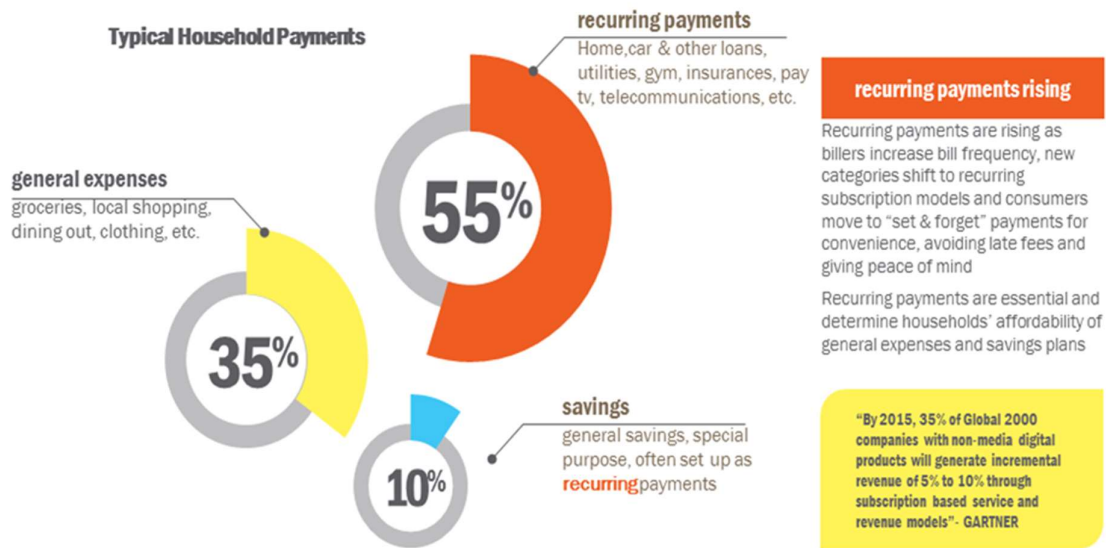


Figure 3: Recurring household expenditure

The market is saturated with budgeting solutions and most of these are static and look backwards into history. Controlabill will show a simple method to not only set up a household budget that looks forward and takes only ten minutes to do, but once done will also be truly set-and-forget for the consumer.

We believe it is well understood that the direct entry system is the largest payment system in the recurring expense arena with around 8.5 million households conducting over 100 million transactions monthly (more than 1.3 billion annually) in Australia alone and growing rapidly. These statistics would suggest that the greater part of every household’s recurring budget is already settled via this channel. Other channels such as BPAY and Post Billpay are reducing in size.

The maths therefore also suggests that there are circa 100 million Authorities driving this system and the information contained in them is critical to lending decisioning.

The next figure constructs a typical family budget using the same 2016 Household Income and Expenditure Survey which concluded that the typical household expenditure exceeds \$70,000.

Importantly, all the elements of this hypothetical budget can be paid for by the set-and-forget direct debit system.

The figure also suggests possible savings are to be had, should permission be granted to a Broker or Comparator to use this information to get a better deal. Our research suggests savings of near to \$10,000 could be achieved per average household if only their data was better structured and in a format that permissioning it to a third party was simple. Controlabill achieves this in its process framework.

Better data also leads to potential better interest rates which is the simplest benefit to achieve.

Competition/Product	Annual Payment	Pay by Direct Debit Possible	Market Savings	Your Savings
mortgage	\$30,000	Yes	\$2,500	
medibank	\$2,000	Yes	\$400	\$388
car insurance(1)	\$1,000	Yes	\$200	
car insurance(2)	\$1,000	Yes	\$200	
life insurance	\$600	Yes	\$100	
Income protection	\$1,200	Yes	\$200	
Home and Contents	\$1,800	Yes	\$400	
Pet insurance	\$500	Yes	\$100	
Phones	\$3,500	Yes	\$500	
Internet	\$1,200	Yes	\$300	
Pay TV	\$1,200	Yes	\$300	
Personal loan	\$5,000	Yes	\$1,000	
Car lease	\$5,000	Yes	\$1,000	
Credit cards(x3)	\$6,000	Yes	\$2,000	\$2,315
Electricity	\$4,000	Yes	\$400	
Gas	\$2,000	Yes	\$200	
Subtotal	\$66,000		\$9,800	\$2,703
Non-Competition Payments				
Rates	\$1,200	Yes		
Water	\$1,200	Yes		
Registration	\$1,400	Yes		
subscriptions(x3)	\$400	Yes		
Subtotal	\$4,200			
FINAL TOTAL	\$70,200			

Figure 4: Illustrative family budget with 2 incomes, 2 children, 1 dog, \$500k mortgage, 2 cars & 20 suppliers

Centralisation of market power and conflicts of interest

So, if the Controlabill solution is so good, why hasn't it been able to gain traction?

Controlabill recognises, as does the RBA and the ACCC, that:

the tension between the payments industry working together on improving system faces the dual issue of institutional inertia and fundamental conflicts of interest.

The current model has hardly placed the industry at the vanguard of innovation the costs of this lack of innovation are born by others. This has frustrated everyone through Government, Treasury, Regulators Media and Customers alike.

The Centralised Management of Consumer and SME Authorities should be a new process wherein a customer has a data right to access simply the information captured in the Authorities he or she have severally or jointly given. This data should be assembled in a way that simply allows access to the data even though multiple bank accounts or credit card accounts may be involved and multiple biller service providers or subscription service providers.

Controlabill offers a solution that can be built now, faster and more cheaply. Should the CMS still be developed as it may contain even a richer feature set, the Controlabill solution could overlay it.

As stated above we unaware of the actual full scope of the CMS although we have had a full meeting with Vanessa Chapman at NPPA who described the system in general terms, therefor the following may apply but may also depend on the implementation model;

1. If the CMS is only available on NPP the benefits of CMS may only be available on a more expensive channel,
2. It is unclear how NPPA can distance itself from its shareholder relationships and possible monetary returns particularly where complex share of wallet effects arise with multiple banks being involved in a single customer relationship particularly where those relationships extend beyond the 13shareholders,
3. Both the RBA and the ACCC recognise and disappointment with progress to achieve innovation and competition it is entirely possible that this important matter may be allowed to drag on for years,
4. Self- regulated oligopoly provides no internal pressure for innovation and change. It is noteworthy that no bank in Australia provides an active/ predictive set and forget budgeting service, though this is a core reason for being.
5. Governance of NPPA CMS is entirely clouded so it is difficult to comment at this stage

Implementation approach

Our proposed solution would be implemented using a three-phase approach:

Phase one – Create the central authority management hub, coupled with a forward-looking budget. Phase one handles all account types that can accept a direct debit from any Bank or Credit Card issuer, either singularly or with multiple accounts at the same time. Phase one also establishes API's with billers. The data in the Customer Hub can then be permissioned to a lender for the purpose of building an accurate credit score and ability to repay decision.

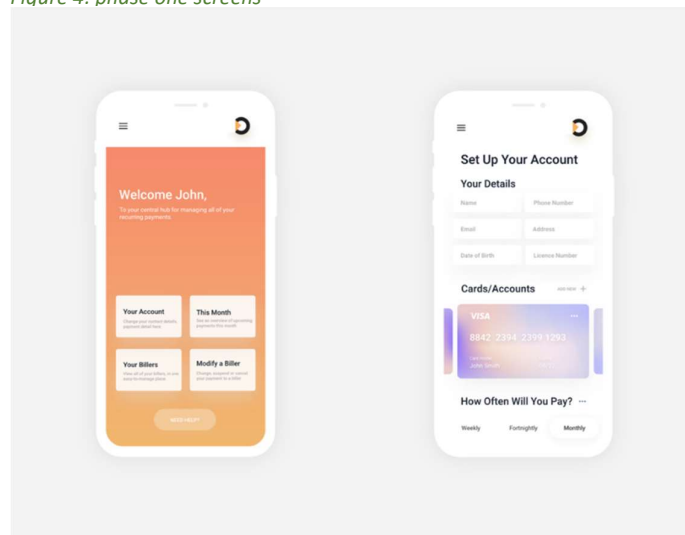
In Figure 4 below we illustrate the simplicity of the stand-alone system that doesn't need to interface with any legacy systems or payment systems other than by API

The basic screens cover: log on and authentication (not shown), home screen, initial set up, a summary screen of your billers and the amounts you pay them annually, adding a new biller and modifying an existing biller.

The system is simple to use, allowing individual biller changes or macro changes to all your billers at once. Changing banks, billers or moving home can be done in seconds.

Not shown is the verification of instructions, which is sent by billers to acknowledge the change instructions have been received and acted on (360-degree verification) Not shown also is the permissions for third party access to this data for the purpose of lending decisions.

Figure 4: phase one screens



Phase two – Develop a two-account system, 'salary in' account and 'bill pay from' account, that separates essential and recurring expenditure.

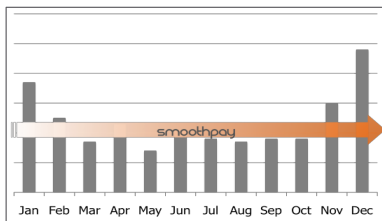
Salaries are paid, as usual, into one account but an immediate transfer of the smoothed or average amount calculated to cover all bills due is transferred to the bill pay from account. See figures 5 & 6 below. The 'bill pay from' account may also be supported by a temporary overdraft to manage any short-term timing differences. This separation means, the right money in the right account at the right time with no more late payment fees and impediments to credit history. The user also has the opportunity to do this weekly, fortnightly or monthly. Whatever remains in the 'salary in' account can be used for discretionary spending.

Not shown here is the ability to determine buffer amounts, at either the individual biller level or macro level for all of an individual's billers. The system also allows for CPI adjustment either automatic or specified.

In the example below, we use the systems forecast household expenditure for the month to show that it could exceed the salary transfer. On other months this could be reversed therefore in some cases there could be a need for an overdraft limit, though this will be temporary.

Figure 5: Bill smoothing

Bill smoothing



- There is significant seasonality in bills
- A few above average months can make budgeting difficult
- Smoothpay enables customers to calculate a flat amount per pay cycle and allocate this to their bill payment account
- Customers can choose a transaction/DDA account or another account with a line of credit to manage timing differences
- A flat amount per pay cycle is transferred to the bill pay account to ensure all bills are paid on time
- Centralised bill smoothing across all bills is simpler and better for consumers, billers and banks

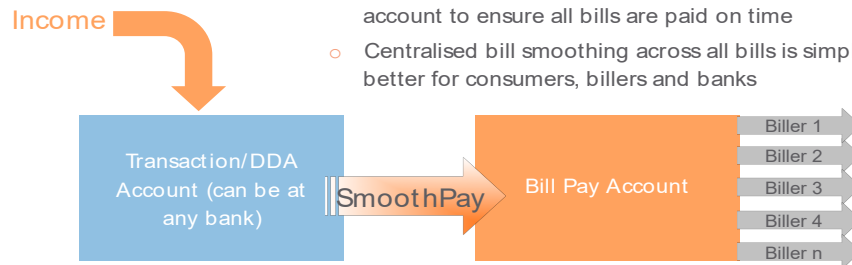
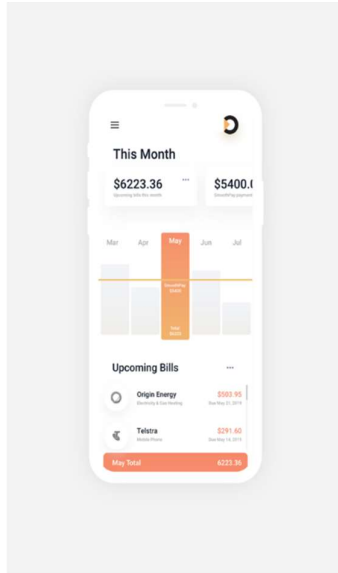
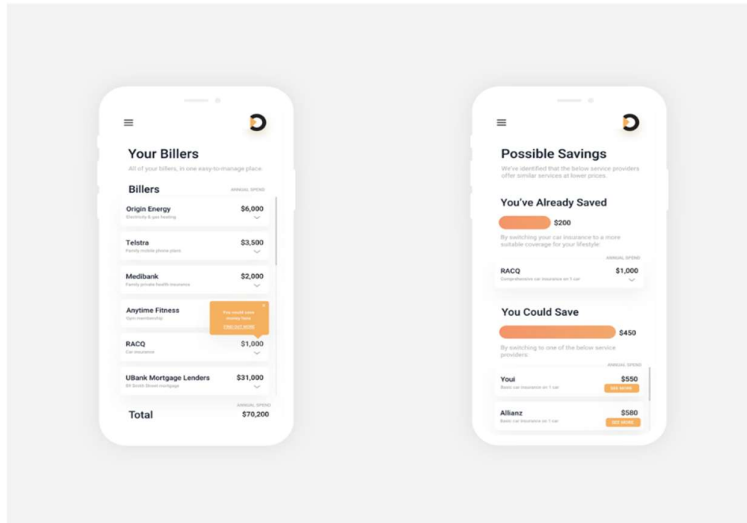


Figure 6: Bill smoothing screen



Phase three - In figure 7 the screens manage permissions to share the information with trusted Brokers and Comparison Services to obtain better deals. Once given, the system may make competitive product suggestions and remind you of savings already made and those still to be made

Figure 7: Competitive product suggestions for consumers to save money



Summary

Currently, there is no service that centralises the management and payment of an individual's bills. Controlabill offers an easy-to-use platform to better manage bills and establish a forward-looking budget.

We feel sure that this offering can make managing Authorities easier for Consumers and save Billers millions. We are also sure this offering can better-inform lending guidelines and conduct in the financial services market.

We hope the RBA reviews this submission in the spirit of its intent, which is for Controlabill to be able to collaborate with the Payments and Biller industries in Australia to effect change for the greater benefit of the whole community.

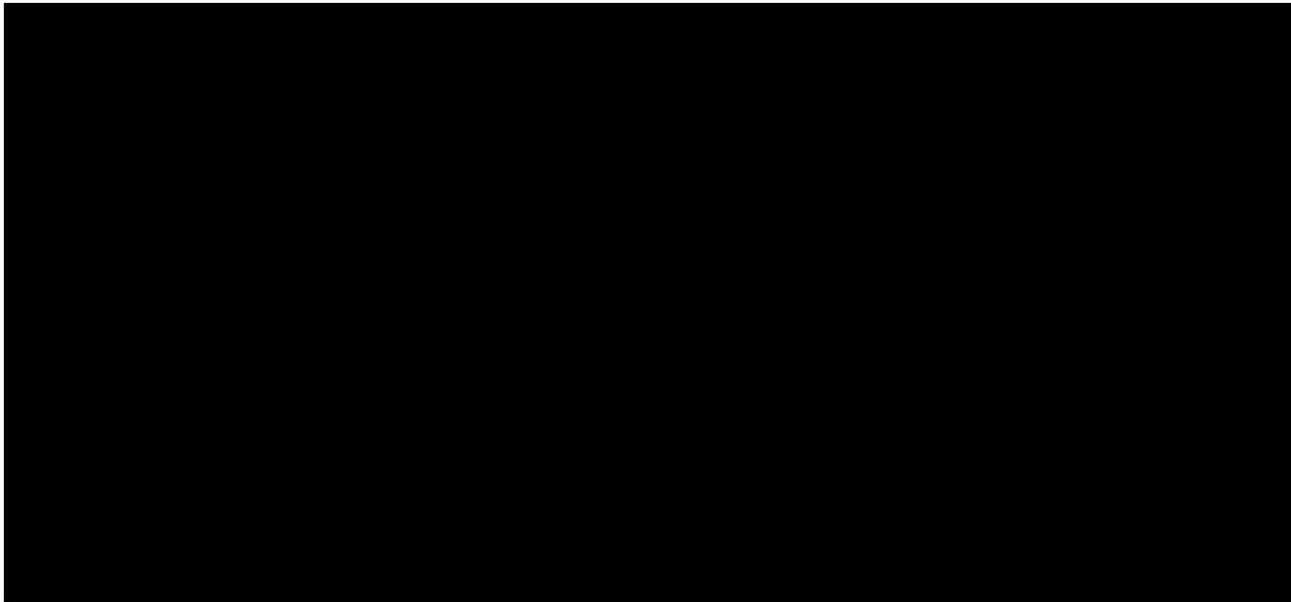
We have no objection to any information, contained herein, being made public for the purposes of discussion and regulatory strategy development. We have no objection to the RBA sharing this information with Ministers, ASIC, the ACCC or other parties deemed appropriate.

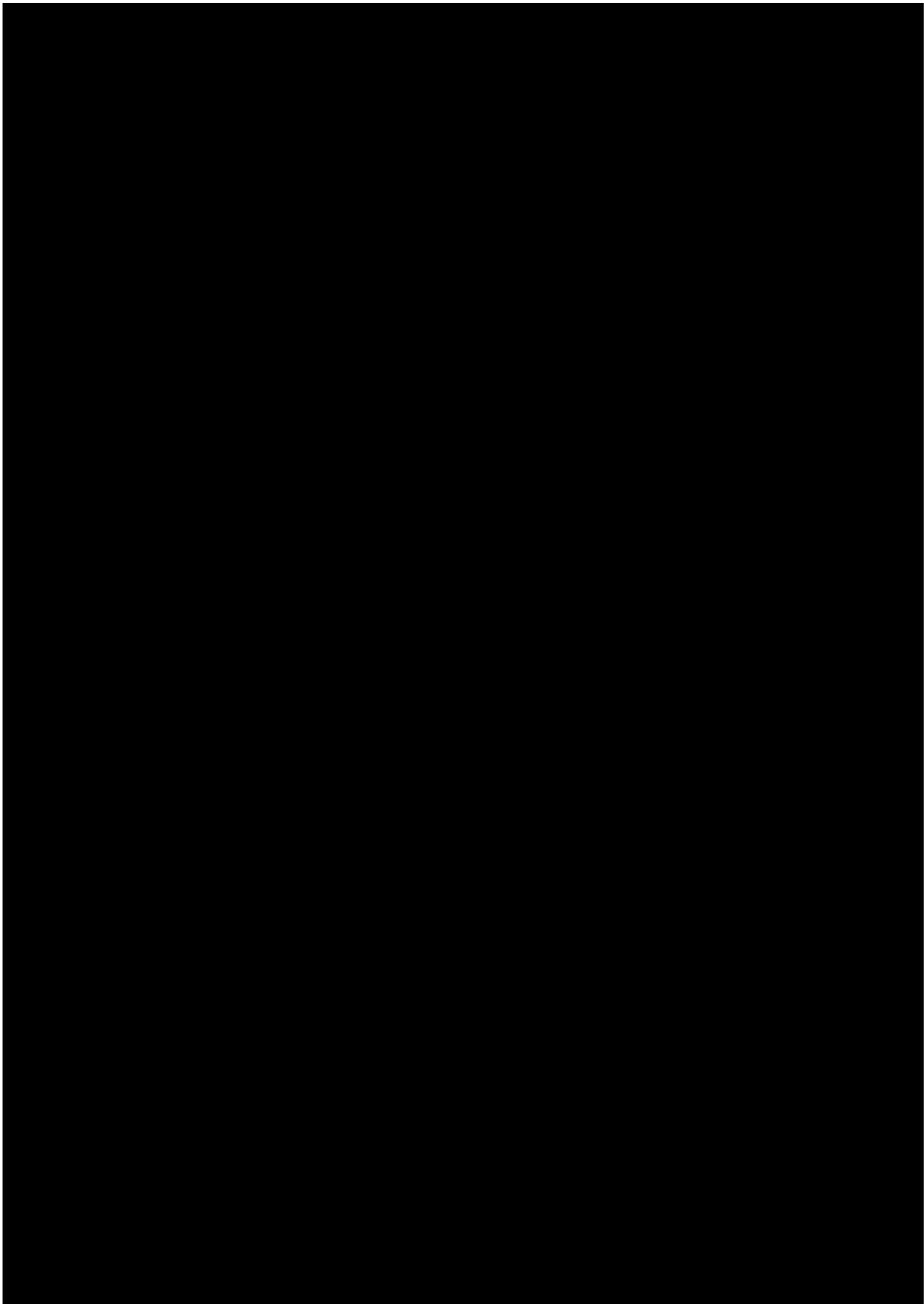
Regards,

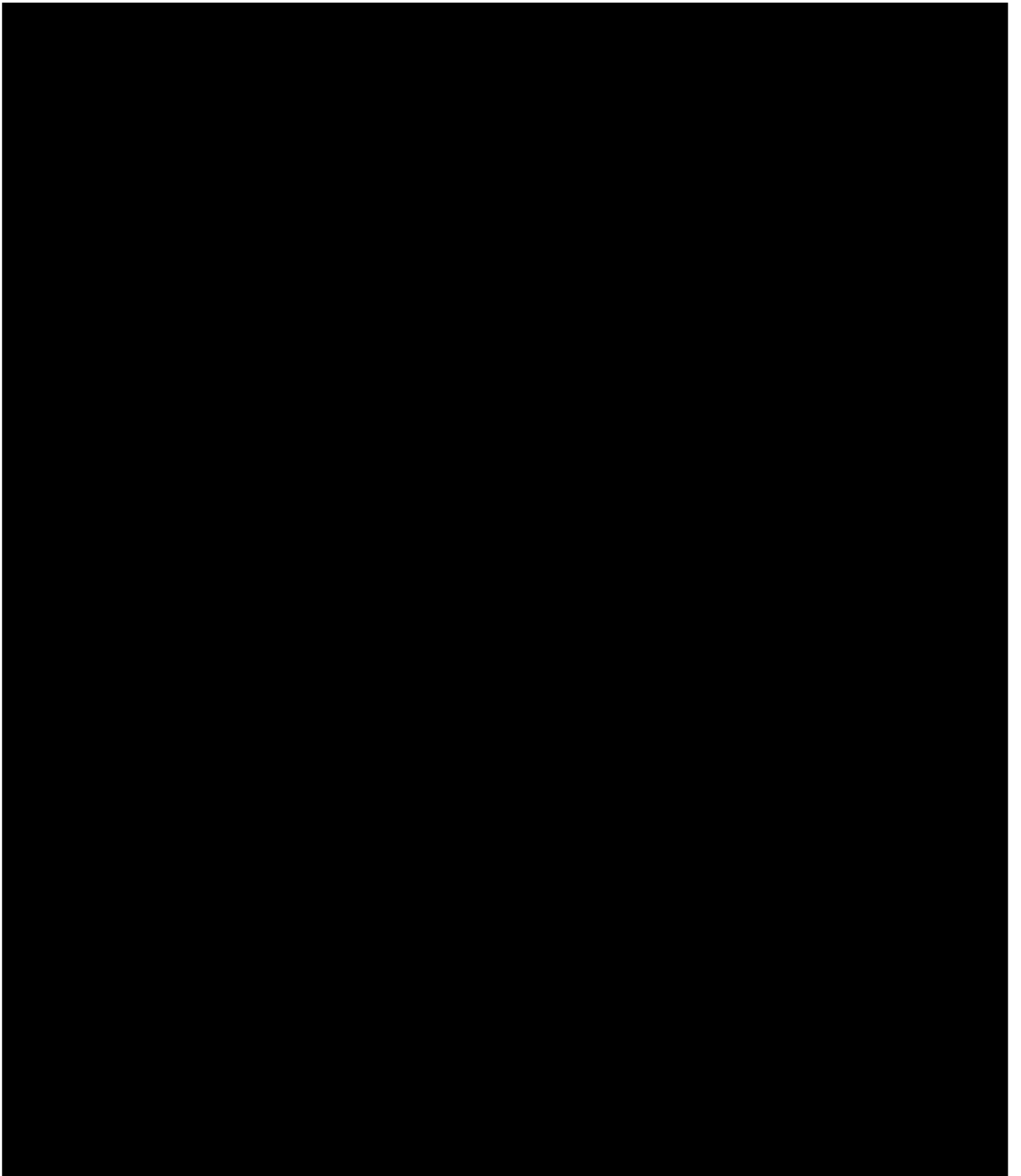
Bernard Wright
Founder Director
Controlabill Pty Ltd

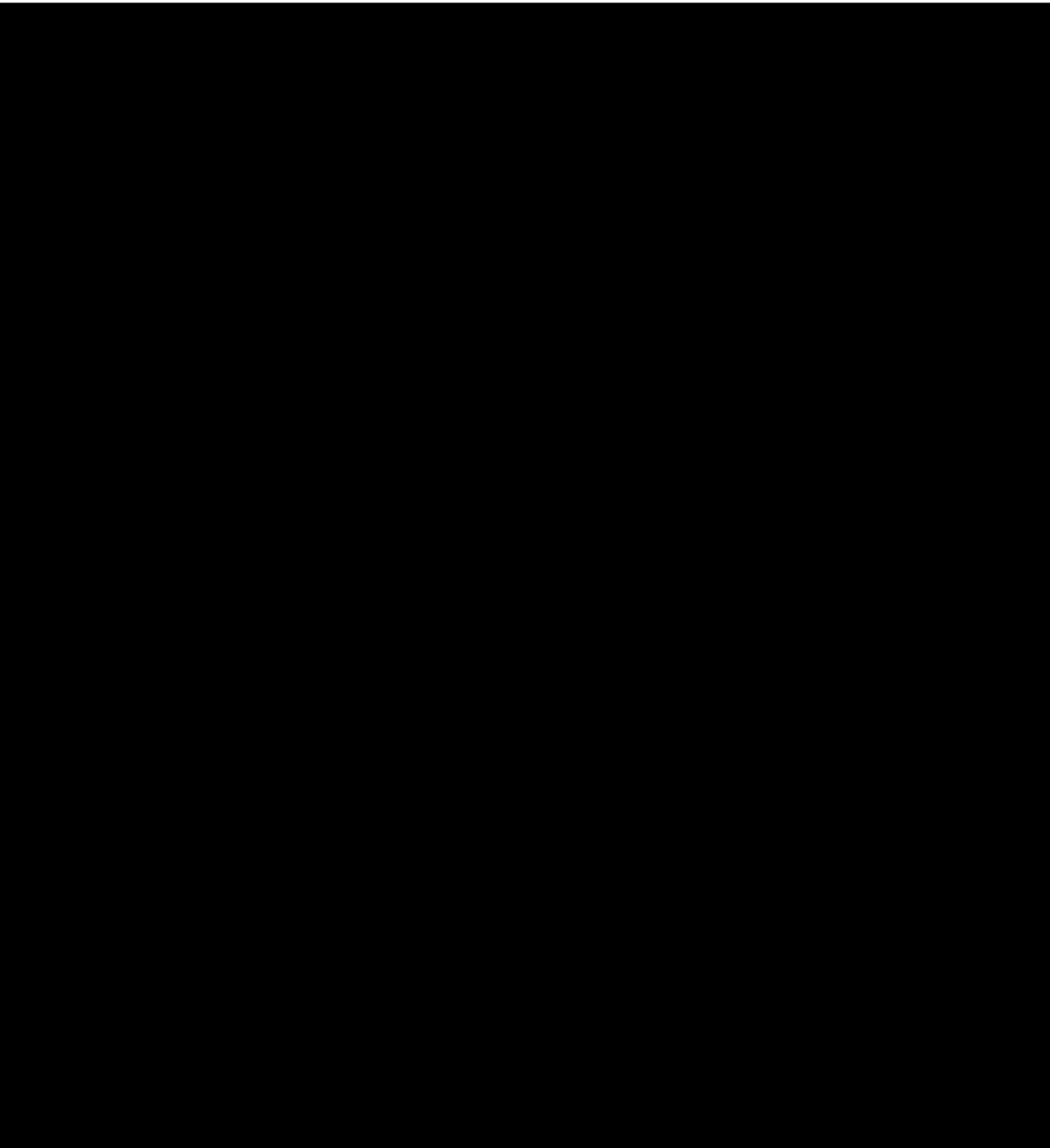
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Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia


KING & WOOD
MALLESONS
金杜律师事务所

T +61 2 9296 2000
F +61 2 9296 3999
www.kwm.com

31 July 2020

To Mr Bernard Wright Director

Controlabill Pty Ltd

By email: 

Dear Mr Wright

Australian Patents 2012244223 and 2007242060 We act for NPP Australia Limited (**NPPA**).

We refer to your email to Ms Vanessa Chapman and Mr Bob Masina dated 3 February 2020, NPPA's letter to you dated 4 February 2020 and your subsequent messages sent to directors of NPPA via the LinkedIn messaging platform (**Communications**).

As you would be aware, NPPA was formed by a group of banks operating in Australia to build and operate the New Payment Platform (**NPP**) in response to a review of the Australian payments system by the Reserve Bank of Australia's Payments Systems Board in 2012.

NPPA has invested in the development and protection of its intellectual property and, naturally, seeks to ensure that it does not infringe the intellectual property rights of any third parties. It therefore takes your allegations that the NPP or the proposed Mandated Payment Service (**MPS**) infringes your company's intellectual property seriously.

Our client does not accept that the NPP infringes Australian Patents 2012244223 or 2007242060 (**the Patents**). The NPP is a fundamentally different system, in both architecture and function, to that disclosed and claimed in the Patents. Our client also strongly rejects your suggestion that NPPA did not properly consider the intellectual property rights of third parties when developing the MPS.

The MPS

NPPA has not commenced to provide the MPS. Participating financial institutions are in the process of implementing technical and operational processes to implement the MPS with an anticipated launch date in late 2021 or early 2022. Broadly, the MPS does not contemplate a system for sending or managing direct debit authorities. Rather, the MPS permits the creation of an authorisation by a customer (a payor) to allow their bank to pay funds from their bank account to a creditor (such as a merchant, service provider or biller)

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on a one-off or recurring basis (a **Mandate**), by a system and protocols that involve the exchange of messages relating to payment requests and responses, and verification of consents (**Proposed Functionality**). Relevantly:

1. (a) the Proposed Functionality leverages existing functionality and components of the NPP infrastructure to provide lookup and validations functions to enable a creditor's bank or service provider to verify the existence of a valid Mandate before sending a mandate payment initiation request. This look up function facilitated by the exchange of messages does not contemplate the sending or providing of an authority to a creditor in a form compatible with the processing system of the creditor;
2. (b) the Proposed Functionality provides a credit messaging system under which payments are initiated by the customer's bank and "pushed" to the creditor's bank; and
3. (c) under the Proposed Functionality, in order to create a new Mandate, a creditor gathers required information from the customer and requests their bank or service provider to create a new mandate record. There is no customer registration process where information is captured for the purposes of establishing Mandates in respect of multiple creditors.

Despite our client's previous request, you have not properly articulated the basis on which you allege that the NPP infringes the Patents. In particular, you have not properly explained the basis on which it is asserted that the essential integers of any of the claims of the Patents are said to be present in the Proposed Functionality.

If you intend to continue to allege that the MPS infringes any intellectual property held by Controlabill, NPPA invites you to articulate the basis for that allegation with sufficient particularity (and by reference to the integers of the claims of the Patents) to enable our client to properly consider its position. Providing a description of 'processes' and 'use cases' relating to a system developed by you is not relevant to the question of infringement of the Patents.

The Patents

We also refer to the recent decisions of the Federal Court of Australia that have provided guidance in relation to the patentability of computer implemented inventions in Australia. In particular, our client

invites you to consider the decisions of the Full Court in *Commissioner of Patents v Rokt Pte Ltd* [2020] FCAFC 8 and *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* [2019] FCAFC 161 as well as the decision of his Honour Justice Burley in *Aristocrat Technologies Australia Pty Limited v Commissioner of Patents* [2020] FCA 778 that are relevant to consideration of the validity of the Patents. In each of these cases, the Court found that patents granted by IP Australia were invalid because they did not describe an invention which was capable of being patented. If you continue to claim that NPPA infringes the Patents, NPPA reserves its right to argue that the Patents should not have been granted.

Further correspondence

Patent litigation can be a time consuming and expensive undertaking. To the extent you have not already done so, we suggest that you obtain legal advice from a practitioner with expertise in patent litigation.

We ask that you address all future correspondence relating to this matter to us.

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We also note that s128 of the *Patents Act 1990* (Cth) provides for relief, including an award of damages, to be awarded to a party against which an unauthorised threat of patent infringement is made.

Yours sincerely

Suzy Madar | Partner
King & Wood Mallesons

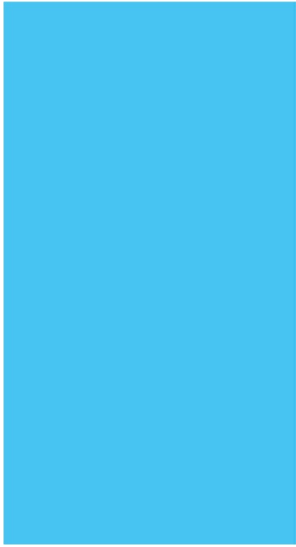
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