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Australian Competition and Consumer Commission

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**Ref: MA1000020 - Proposed amalgamation of BPAY, eftpos and NPPA**

We refer to your letter dated 30 March 2021 on the application for merger of BPAY, eftpos and NPPA, and thank you for the invitation to provide a submission.

**About KeyOne**

KeyOne provides management consulting services to the financial services sector. Our services focus on payments and include strategy development and execution, product development, procurement, pricing and financial analysis, and payments technology. Our client groups include banks and other financial institutions, fintech's, payment schemes, payment service providers, technology firms, capital investment groups and transaction processors.

**1 Shareholding**

The application states that there will be transparent process for applying to be a shareholder in NewCo, including a capital contribution that is not expected to be significant. The application also describes the intention that existing and new shareholders of NewCo will have equal rights with a one shareholder one vote structure for motions at general meetings, and board decisions.

The current entry requirements vary for each scheme, and in the case of BPAY, there is no contemplation for expanding the shareholder base beyond the 4 major banks. In addition, the costs for becoming a shareholder are substantial thus making it difficult for smaller organisations and new entrants into payments, who are typically non-ADIs, to become shareholders.

We believe that the with the creation of NewCo, becoming a shareholder will be available to a broader range of participants, both regulated and unregulated entities, given the significant lower barrier to entry. This will establish a system that is more open, inclusive, and representative of a broader range of stakeholders. NewCo creates an opportunity to streamline the shareholder application process, create a non-discriminatory, consistent, and transparent criteria for new shareholders.

## **2 Efficient use of capital**

The international card schemes are well established in the Australian market, and in the debit card market for example, the two international card schemes dominate. With the introduction of contactless payments more than 10 years ago, the international card schemes market share rose substantially, while eftpos' share declined. The decline can be largely attributed to contactless functionality, however eftpos' lack of online and remote purchase capability were also contributing factors.

While eftpos' market share is now growing, through the introduction of digital capability, least-cost routing, and other initiatives, the international card schemes still dominate. The threat that the international schemes pose with the greater ability to invest, promote, and deploy functionality and new products remains, and the recent turnaround in market share while positive, is not assured.

The establishment of NewCo will create a scheme that will have the pooled investment funds of NPPA, BPAY, and eftpos. This will give NewCo greater ability to compete as pooled capital - while still modest - can be used more efficiently to address competitive pressures. The development of a single product roadmap will avoid overlapping investments and competing investment decisions.

The application states that the benefits in the amalgamation is to overcome the challenges in co-ordinating investment decisions arising from three separate innovation roadmaps. We agree with this rationale and support the application on the basis this will create efficiencies and therefore lower the cost of deploying innovation.

## **3 Reduced regulatory burden**

In the same way that co-ordinating investments will create efficiencies and lower the cost of innovation, the same principle applies to regulatory requirements.

BPAY, eftpos and NPP have their own compliance framework, and with the increased complexity of technical infrastructure, evolving security requirements, and scheme mandates the compliance burden placed on participants has increased substantially in recent years. NewCo will simplify compliance requirements through a single framework, removal of overlapping requirements, which we expect will reduce the regulatory burden and remove cost.

## **4 Complementary systems**

BPAY, eftpos and NPPA have capabilities that are largely complementary rather than competing. BPAY provides a solution for the payment of bills. eftpos facilitates payments at the point of purchase. NPPA performs account to account payments using bank mobile and internet channels. NPPA is also architected to enable third parties to develop value added services that provide solutions for customers of which the payment is only one aspect of the transaction.

The application states that NewCo has no plans to reduce capabilities and services. Given that there is limited overlap in the services each of the current schemes provide, we do not expect that any services offered by the three schemes will be withdrawn as a consequence of the amalgamation.

We support the argument in the application that the creation of NewCo will not reduce competition.

We thank you for the invitation to provide our comments on the application and we look forward to the announcement of ACCC's decision.

Yours sincerely



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Managing Director