

Proposed consolidation of Australian domestic payment companies

17 February 2021

FINTECH AUSTRALIA WEBINAR

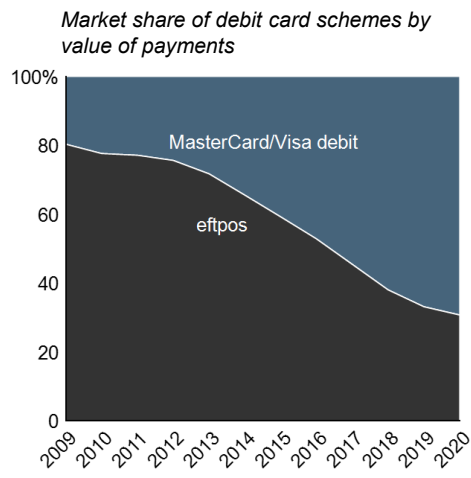
CONFIDENTIAL

Current state and case for the merger

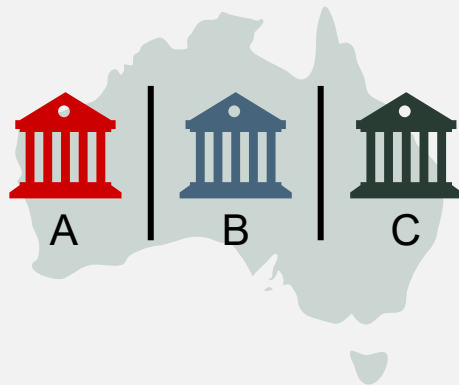
Currently, Visa and Mastercard overwhelmingly dominate card transactions.

We need an efficient domestic player to ensure competitive pricing tension against multinational schemes and big tech.

Today



- International card schemes:
 - have captured 70% market share of debit transactions (by value), reducing eftpos' share from 80% to 30% in the last decade
 - have a near monopoly over online purchases
- The dominance of the international card schemes in payment volume and payment functionality is a significant concern
- Australia's domestic payment organisations are fragmented and siloed, reflecting old divisions that are no longer relevant
- Innovation is harder – and slower – than it should be



Tomorrow

- An efficient, coordinated domestic payments entity
- Existing roadmaps retained, eg payment initiation through MPS
- Same payment rails but in a coordinated entity, with faster product development and – over time – more efficient engagement with outside participants like fintechs



What you will see: real outcomes for Fintechs

Current services will be unaffected

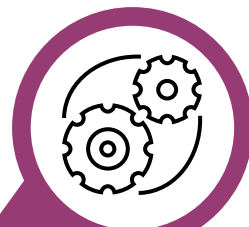
Core purpose of NewCo is delivery of low-cost payments for fintechs, retailers, business and their customers

Existing roadmaps for each entity are preserved.



Better coordination and alignment between the three companies and their owners will deliver faster progress than possible today

For example, this process has secured the delivery of eftpos online, enabling lower cost payment options online not available today.



More inclusive and balanced governance, with input from a broader range of perspectives

The model will increase the influence of smaller and more diverse organisations with less influence by large banks and large retailers at governance and shareholder level.



Faster deployment of capability not currently possible across three separate organisations

For example, potentially QR codes across multiple payment streams, improved online payment capability and digital ID solutions



Australian
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Streamlined access model and easier to engage with

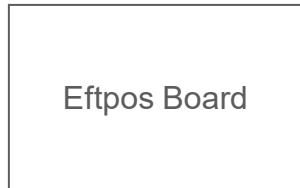
Existing open-access frameworks preserved for each scheme, which will themselves evolve over time (ie proposed Stored Value Facility reforms).

More efficient engagement through single entry points and end-user forums for fintechs and others

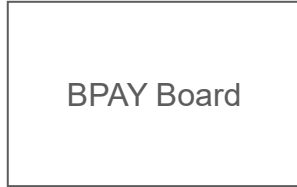
Over time, streamlining and integrating API frameworks and other assets that support third party access, ie single sandbox environment



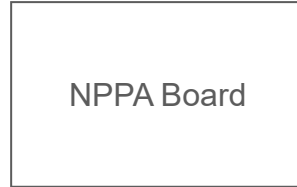
Current structure: siloed and outdated



~75% of votes held by major banks and retailers



100% of votes held by major banks



33% of votes held by major banks



- Established 1983
- Point of Sale payments
- Important source of competition for global schemes
- No broadly available online payment method



- Established 1997
- Bill payments
- Osko real time payments



- Established 2016
- Real-time account to account credit payments
- PayID

Siloed approach – reflects evolution of different payment types over the past 40 years

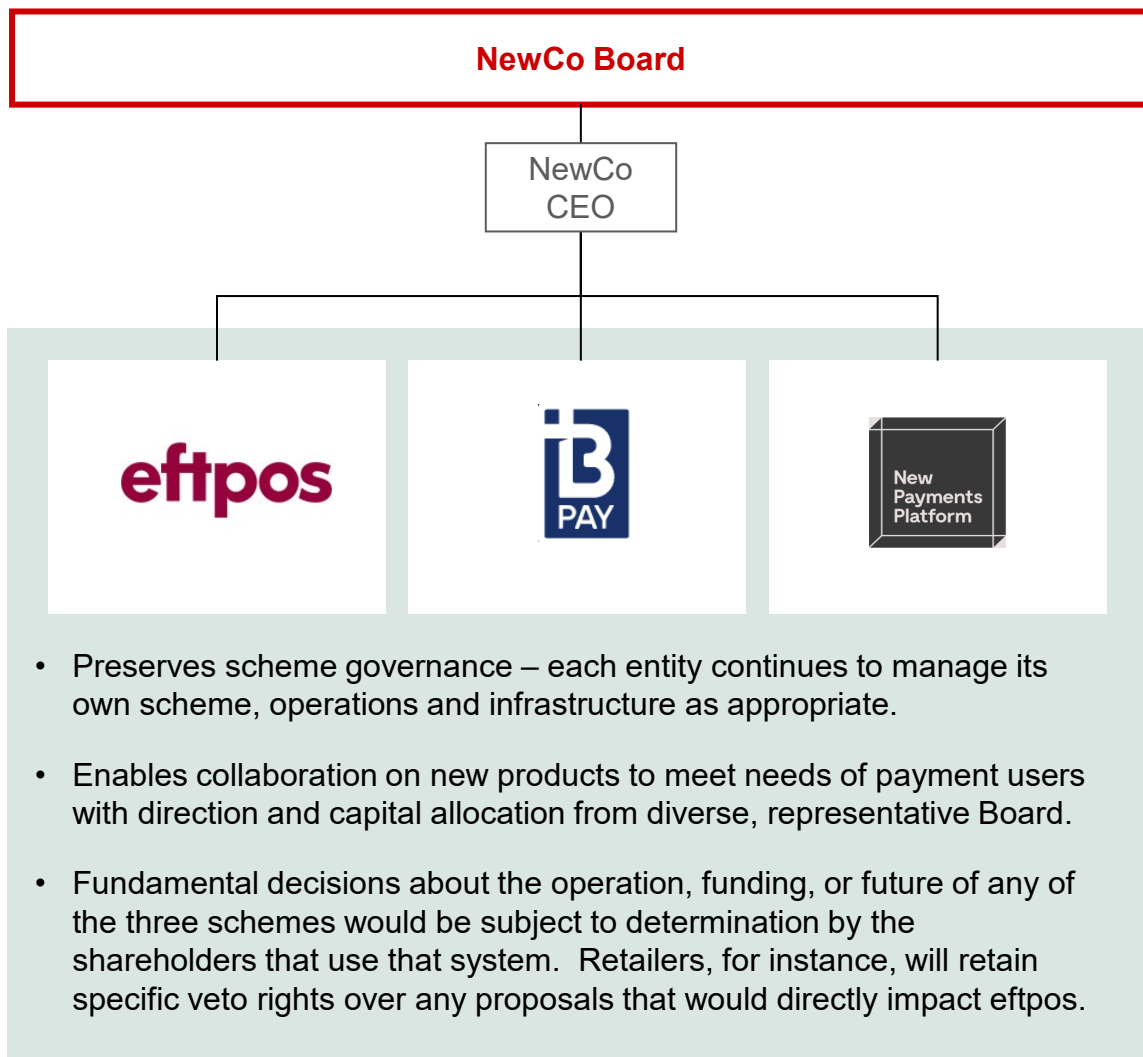
Do not compete today – the three companies core payment products do not compete with each other today

Majority of votes held by major banks and retailers – the majority of Board and shareholder votes for eftpos and BPAY are held by major banks and/or major retailers

No mechanism to coordinate – resulting in the three organisations competing with each other for limited bank funding, resources and priority

Slow or insufficient innovation to compete – competition for limited funds from owners to support rollout without any guarantee of broad take-up or clarity on roadmap e.g. no broadly available online payment capability suitable for retail

Proposed structure: integrated and balanced



● **Broader representation** – four independent directors (including the independent chair) and nine directors nominated by NewCo’s shareholders (four of which will be from the major banks)

● **Balanced decision making** – each Board director has one vote. Each shareholder, regardless of size, will have one vote of equal weighting, at General Meetings of NewCo’s shareholders

● **Smaller payment users better represented** – eg. Fintechs who use the payment system could become shareholders (and potentially Directors) on reasonable commercial terms and criteria (and would have an equal vote as all other shareholders)

● **Self-sustaining entity operating in the public interest** – objectives of company clearly focused on end users of the payment system, and specifically low-cost payments

● **Supports efficient involvement of payment users such as fintechs** – eg. through creation of end-user forums

● **Entities are still regulated by the RBA Payment Systems Board** – just as they are today

Next steps

Stakeholder and user
consultation and
conversations

ACCC application
submitted and published
for public consultation in
March 2021

Seek ACCC
authorisation, with
earliest possible decision
by June 2021

Questions and Discussion



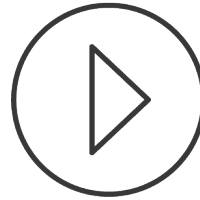
NPP Roadmap



Delivering data-rich message standards

Structured data messages for superannuation, payroll, tax and invoicing payments

April 2021



Enabling third party payment initiation

Customer authorised payments initiated by third parties (Mandated Payments Service)

December 2021

Work underway to understand alignment with CDR requirements; Sandbox and sample APIs available soon



Supporting international payments

Safer, faster inbound international payments with complete payer information

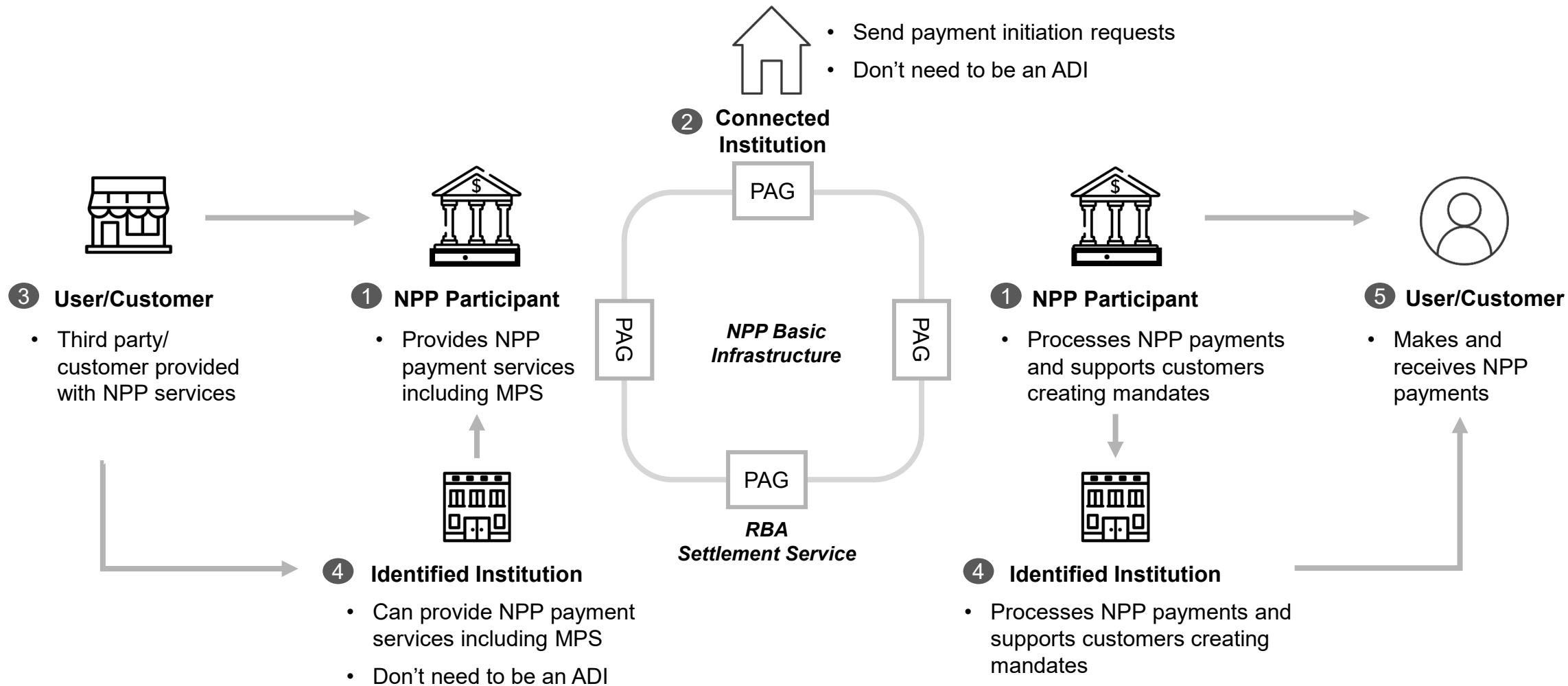
December 2022

Business Services:

This capability is being delivered as business services with their own set of rules for processing different payment types. Third parties can use these business services in a variety of ways and incorporate them into their own product and service offerings.

NPP Australia will be hosting a roundtable discussion together with Fintech Australia on 18 March from 1:00-2:00pm

NPP Access



A key feature of the MPS is that third parties wanting to initiate payments only require one access point to the NPP infrastructure in order to be able to initiate payments from one of the 74 million and growing NPP enabled accounts.