

16 April 2021

Ms Simone Warwick
General Manager
Merger Investigations
Australian Competition and Consumer Commission
Level 17
2 Lonsdale Street
Melbourne VIC 3000

By email: mergerauthorisations@accc.gov.au

Dear Ms Warwick

ACCC consultation on proposed amalgamation of BPAY, eftpos and NPPA

COBA appreciates the opportunity to provide a submission on the proposed amalgamation of BPAY, eftpos and NPPA.

COBA is the industry association for Australia's customer owned banking institutions (mutual banks, credit unions and building societies). COBA members are an important part of Australia's payments system, providing a wide range of payment products and services to their 4 million customers.

Collectively, our sector has \$146 billion in assets and around 10 per cent of the household deposits market. Customer owned banking institutions account for around two thirds of the total number of domestic Authorised Deposit-taking Institutions (ADIs) and deliver competition and market leading levels of customer satisfaction in the retail banking market.

Customer owned banking institutions are innovators and early adopters in meeting consumers' evolving needs in payments, as demonstrated by our sector's performance with digital wallets¹ and the New Payments Platform.²

As smaller players in a banking market dominated by the four major banks, COBA members rely on outsourcing to obtain efficiencies and economies of scale. This applies to core banking systems, data processing and other services but is particularly important in relation to access to the payments system.

The key providers of payments system access for COBA members are Cuscal, Indue and ASL. These providers' services include participation in the international card schemes (Visa and Mastercard) and eftpos, the NPP, direct entry, BPAY, ATM networks, digital applications and cheque issuance.

¹ Apple Pay, Google Pay & Samsung Pay

² See speech by RBA Assistant Governor Michele Bullock 16 May 2019: "One of the positive aspects has been the broad participation of many small financial institutions. Customers of around 50 small banks, credit unions and building societies were able to make and receive fast payments from Day 1 and that number has since grown to nearly 70. On a less positive note, we have been somewhat underwhelmed by the progress of some of the major banks."

COBA's position on the proposed amalgamation

COBA has sought member feedback on the proposed amalgamation of BPAY, eftpos and NPPA and has received no objections.

COBA is persuaded by the proponents' case that the amalgamation will allow the three payment schemes to:

“(a) co-ordinate their innovations, creating efficiencies for their customers (including by reducing transaction costs), businesses and consumers and reducing the risk of stranded assets from innovations that are not able to succeed due to their inability to achieve network effects in a timely manner; and

(b) better compete against existing and future global payment companies, enhancing competition in domestic payments markets.”³

Based on the application by the Industry Committee for the proposed amalgamation, COBA understands that merging BPAY, eftpos and NPPA will create more competition amongst payment schemes. In turn, this will generate more choice for COBA members when providing payments products to their customers, improve innovation and lead to better outcomes for consumers.

Competition and choice for issuers

COBA welcomes the prospect of stronger competition between domestic payment schemes and the global schemes. This should deliver COBA members more choice when issuing debit and credit card products to their customers, put downward pressure on issuer costs and promote innovation.

As mentioned by Cuscal in its statement, “a strong domestic alternative to the international schemes and large technology companies is good for competition, industry pricing and services for Australian business and consumers.”⁴

COBA members rely on the services of third-party providers, such as Cuscal, Indue and ASL, to provide access to domestic and global payment schemes for their customers and to offer customers new payments products and services.

We welcome Cuscal's statement that “the amalgamation will improve the ease at which products are brought to market – increased efficiency to market enables Cuscal (and other providers) to provide a more efficient service to its clients, which will assist ongoing competition in the market.”⁵

Innovation

COBA understands that the proposed amalgamation is intended to promote innovation, both with respect to the consolidated domestic schemes' ability to fund innovation, but more broadly as a result of increased competition between the domestic and international market players.

The application by the Industry Committee to the ACCC says:

“The Conduct will enable the three domestic payments schemes to utilise their largely complementary assets and footprints to better address evolving customer needs in an increasingly competitive landscape and accelerate the creation of new local solutions.

³ Application by Industry Committee, on behalf of its members who are shareholders and/or members of BPAY, eftpos and/or NPPA, to amalgamate under NewCo ([link](#))

⁴ Statement by Cuscal Limited in support of application for authorisation ([link](#))

⁵ Statement by Cuscal Limited in support of application for authorisation ([link](#))

This will lead to payment innovations that:

- (a) Have greater functionality (focussing investment on what matters most to customers and end users, delivered once not multiple times):*
- (b) Are delivered faster (due to the single roadmap and simplified touchpoints); and*
- (c) At a lower cost (due to rationalised technology and the removal of duplicated spend).⁶*

COBA supports uplifting innovative payments capabilities by the domestic schemes, particularly with respect to the enhanced functionality of eftpos for online payments.

COBA notes Cuscal's view of "the amalgamation as the most expedient way to set up the industry to continually address the pace of change and innovation, requirements for capital and to ensure retailers and consumers continue to benefit from fast optionality around ways to pay."⁷

The proponents also noted that, over time, the amalgamation has the potential to "minimise regulatory burden associated with complying with three separate sets of compliance obligations and adopt common standards across the three payments systems."⁸

Due to scale factors, COBA members bear a proportionately heavier compliance burden than bigger payments system players. COBA is strongly supportive of action to minimise the compliance burden on our members.

Consumer benefit

The proponents of the merger have outlined a range of benefits for consumers, largely stemming from increased technological capabilities as a result of consolidating BPAY, eftpos and NPPA:

"Customers of the domestic schemes require these platforms to keep up with technology and international offerings. The Conduct will create a more efficient, streamlined entity, with a coordinated and targeted roadmap that will enable financial institutions and retailers to more efficiently support and to integrate the streamlined entity's innovations into their own banking platforms and bring the domestic initiatives to market with more certainty and more quickly."

The growth and development of payments innovation and technology will ultimately benefit all participants in the payments system, but most importantly consumers as end users.

The proponents believe that consumers will benefit from the flow on effects of increased competition between domestic and international players, through the improvements to existing payment methods and the introduction of new services. Should the amalgamation decrease regulatory costs for financial institutions and retailers, this will ultimately lead to lower costs for consumers.

COBA supports the following statement by Cuscal regarding consumer choice and the role of the domestic payments industry:

"The consumer will ultimately decide how they wish to pay and it is incumbent on the domestic payments industry to ensure Australian consumers have choice and competition around doing so. The consumer should not hesitate when they go to pay for goods – they should be able to

⁶ Application by Industry Committee, on behalf of its members who are shareholders and/or members of BPAY, eftpos and/or NPPA, to amalgamate under NewCo ([link](#))

⁷ Statement by Cuscal Limited in support of application for authorisation ([link](#))

⁸ Application by Industry Committee, on behalf of its members who are shareholders and/or members of BPAY, eftpos and/or NPPA, to amalgamate under NewCo ([link](#))

simply choose the best form of payment with best benefits for them. The consumer is looking for the lowest price, and the retailer is looking for uniform acceptance at the right price.”⁹

Thank you for the opportunity to provide these comments. If you wish to discuss any aspect of this submission, please contact Luke Lawler () or Maryanna Vasilareas ().

Yours sincerely,



MICHAEL LAWRENCE

Chief Executive Officer

⁹ Statement by Cuscal Limited in support of application for authorisation ([link](#))