

By email
Attn: Merger Authorisations
mergerauthorisations@accc.gov.au

17 June 2021

To Whom It May Concern

Indue Ltd: MA1000020 - submission

Thank you for opportunity to respond to the application for merger authorisation MA1000020 – ACCC’s preliminary views and issues which it is seeking further information.

Who is Indue

Indue is an Australian owned and operated payment services provider, providing access to payment schemes combined with an extensive suite of payments platforms, products and services. These products encompass financial crimes management, prepaid, debit and credit cards, cheque, direct entry, BPAY, NPP, eftpos, Visa and MasterCard services.

Indue is an ADI regulated by APRA; a principal member of Visa, MasterCard and eftpos Australia; a founding shareholder of NPPA, Australian Financial Services Licence (AFSL) holder and reporting entity pursuant to the Anti-Money Laundering (AML)/Counter-Terrorism Financing (CTF) legislation.

Indue’s core business model is to provide a ‘gateway’ to any business requiring access or payments services. Indue role is somewhat unique, as it is not a participant to support its own banking business, but rather Indue’s core business is to provide ‘Access’ to payments schemes for any organisation that has a need. Indue’s client base includes mutual banks, credit unions, building societies, major banks, regional banks, mortgage originators, governments, retailers, corporates, church development funds and program managers. These organisations are typically smaller players in the financial services and payments space viz the major banks.

Changes in Structure, ownership and control

Indue supports the proposed changes in structure, ownership and control and the proposed public benefits contained in the ICA submission.

The premise from some submissions (Mastercard, SuperChoice and Controlabill) suggesting that major banks may be able to act in concert, is not supported by Indue. There is a significant breadth of both legal, scheme policy and good governance practices that are adhered to by industry Schemes and this is sufficient protection to ameliorate this concern.

Indue does not agree with the contention that Least Cost Routing would in some way be adversely impacted by the proposed amalgamation. Least Cost Routing is supported by eftpos because it makes sense for eftpos and it will continue to make sense for NewCo, because it competes for

transactions with the international schemes. A stronger, more capable domestic scheme will be better for Least Cost Routing outcomes for retailers, not worse.

LCR will continue to be subject to potential enforcement by the Reserve Bank of Australia should it not be enacted expeditiously in the public interest.

Ownership Structure

Indue supports the proposed ownership structure of NewCo. As a smaller player who typically provides gateway access to payment schemes for small to medium traditional players and innovative new market entrants, the proposed governance model gives smaller players such as Indue a stronger voice due to the proposed shift to equal votes for all shareholders, compared to the current scale based models.

Role of the Operating Committee

Indue is supportive of the proposed Operating Committee structure. We note the ACCC's preliminary view that the Opcos potentially have limited influence or control over its future investment roadmap, however our view is that under the new operating model each Operating Committee will have as much influence as they do today (ie: the ability to present business cases to a Board for approval), however there will be the added benefit of better co-ordination of the best ideas, with the best technology available being used to give effect to those ideas.

Potential Horizontal Effects

Indue notes the preliminary views of the ACCC on this matter.

Indue's own view is that the proposed amalgamation does not substantially lessen competition and enhances consumer and business outcomes.

Indue's experience with the existing domestic schemes is that they do not compete in any substantive way. There is some elements of competition between the schemes that become evident when looking at the future roadmap for payments but not current services. Any competitive tension that may exist in respect of future roadmap for payments is ineffective for the reasons outlined below.

Competition of itself is only beneficial if it creates tension within a framework that provides a pathway to outcomes. The tension must result in the crystallisation of solutions deployed to consumers through businesses. In the case of the amalgam in question, the creation of value can only happen through the deployment of product by the owners/stakeholders of the various payment schemes (ie: the participants in the system that deliver product to customers), and not by the payment scheme themselves. This is a critical difference to traditional competitive rationale, and the lived experience since the creation of the three domestic payment schemes is that payment schemes are not able to achieve outcomes for consumers/business, because of the diversity of views and priorities among those participants that the schemes rely upon to ultimately deploy products.

In the current model, multiple schemes are attempting to convince multiple stakeholders to deploy products to their customers. Agreement rarely can be reached and therefore progress stagnates and

ideas are not permitted to crystallise, resulting in a lack of *effective* competition. This has been the experience of participants in the payment system.

Schemes require ubiquity to succeed. If ubiquity cannot be achieved then the perceived benefits of competition cannot be realised.

The structure proposed by the ICA is a better structure than the status quo because it provides the framework to allow competition to create value. Under the model proposed, Opco's have the opportunity to participate in the contest of ideas, in a format that provides a framework to produce outcomes. In the proposed structure the best overall solution to a payment problem will be governed by the Board of Newco and once that ruling is achieved a ubiquitous approach to rollout can occur. This is in contrast to the current ineffective model, which allows schemes to create ideas but without a framework to produce outcomes.

NewCo's ability to remove or diminish eftpos' capability

Indue does not support this view. NewCo will be substantially owned by the same parties and be subject to substantially the same governance oversight from those owners as currently exists today. What is good for eftpos today, should remain good for NewCo and to the extent that the roadmap can be potentially enhanced due to broader collaboration and a broader payment asset pool.

Indue as an owner of eftpos and a potential owner of NewCo would not support a strategic roadmap that potentially diminished the ability for NewCo to compete against the International Schemes. It does not stand to reason that the owners of NewCo would support such actions as this would weaken our strategic position to compete in the local payments market.

Public Benefit

Indue is of the view that the stated public benefits are likely to arise and will be more likely to be achieved than if the status quo is preserved.

Thank you for the opportunity to comment on the matters raised as part of the on-going consultation and should you wish to discuss these matters please feel free to arrange a time with Katarina Owczarek on [REDACTED]

Yours sincerely



Derek Weatherley
Chief Executive Officer