



16 April 2021

Dear Ms Warwick

Re: Proposed amalgamation of BPAY, eftpos and NPPA – interested party consultation

Thank you for the invitation to make a submission on the proposed amalgamation of BPAY, eftpos and NPPA.

The Reserve Bank has several distinct roles in the Australian payments system.

- It owns, operates and participates in Australia's real-time gross settlement system, including the Fast Settlement Service which settles transactions made through the New Payments Platform (NPP).
- It is a provider of transactional banking services to the Australian Government and its agencies, including for transactions using BPAY, eftpos and the NPP.
- It has responsibility for issuing Australia's currency notes.
- It is the principal regulator of the payments system through the Payments System Board (PSB). Under the *Reserve Bank Act 1959*, the PSB has a mandate to exercise its powers in a way that will best contribute to: controlling risk in the financial system; promoting the efficiency of the payments system; and promoting competition in the market for payment services, consistent with the overall stability of the financial system. Given that the Bank and the Commission both have mandates relating to competition, the two agencies have entered into a Memorandum of Understanding to ensure appropriate coordination between them in relation to competition issues in the payments system.

With this as background, the Bank wishes to provide the Commission with information on two issues:

- the RBA's role in raising the possibility that the industry consider consolidation of, or coordination between, the three domestic payment schemes
- the position that the RBA has taken with respect to its shareholding in NPPA.

First, while the Bank is not taking a position regarding the merits of the particular proposal that is now before the Commission, it notes that the industry discussions that have led to this application were in part stimulated by some material in the Issues Paper for the Review of Retail Payments Regulation published by the Bank in November 2019.¹ That paper called for stakeholder views on strategic issues including "the roles played by the range of domestic-focused schemes and frameworks in Australia" (p19). Specifically, the Bank noted that:

¹ <https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/review-of-retail-payments-regulation-issues-paper.html>



“As well as the cooperative frameworks managed by AusPayNet for a range of clearing streams and the real-time payments infrastructure managed by NPP Australia, there are domestic schemes for bill payments (BPAY) and debit card transactions (eftpos). There has been a tendency for consolidation of domestic arrangements in some other countries; for example, in the UK, Pay.UK has been established to manage a range of domestic systems and schemes that have been brought together in the New Payments Architecture. The Board invites views from stakeholders on any challenges posed by the various domestic schemes and frameworks in Australia and any changes or consolidation that might be worth considering.” (pp.12-13)

The Bank’s interest in this area goes back to the Strategic Review of Innovation in the Payments System that the Bank conducted in 2010-12. That review highlighted the various coordination problems that can delay or prevent cooperative innovation to build new industry-level infrastructure or launch new services. In the conclusions to that review, the PSB set a number of strategic objectives for the industry, including to build new infrastructure that would enable real-time payments for Australian households, businesses and government entities. Following that review, the industry formed a committee that prepared a proposal that resulted eventually in the development of the NPP and its launch in early 2018.

More recently, the Bank has observed that coordination problems have continued, with the risk that new payments services and capabilities that would be in the public interest are developed only slowly or not at all. In his December 2019 speech to the AusPayNet Summit, the Governor explained the rationale for the Bank raising the issue in the Review of Retail Payments Regulation:

“A number of industry participants have indicated to us that they face significant and sometimes conflicting investment demands from the three different entities. This raises the question of whether some consolidation or some form of coordination of investment priorities might be in the public interest.”

The Bank is available to provide further information on the concerns that led it to raise this issue in the Review in late 2019.

Second, it may be useful to outline the Bank’s plans regarding its shareholding in NPPA.

The Bank took the decision in 2014 to participate in funding NPPA largely from a policy perspective, as a way of showing its support for the industry initiative that had grown out of the Strategic Review of Innovation. The Bank’s decision also reflected its desire to be a direct participant in the NPP so as to provide real-time payments to government agencies in its role as banker to the Government. The Bank also agreed to appoint a director to the NPPA board, with its representative being the Head of Payments Settlements Department, which is responsible for the Fast Settlement Service which enables real-time settlement of NPP transactions. The Bank has put in place a Memorandum of Understanding which governs the relationship between NPPA and the Bank in its various roles.²

Since the time that the industry began discussions on a possible merger, the Bank-appointed NPPA director has abstained from any relevant discussions by the NPPA Board. The Bank subsequently decided that it would not exercise its right as an NPPA shareholder to be represented on the

² <https://www.rba.gov.au/payments-and-infrastructure/payments-system-regulation/npp-mou.html>



Industry Committee to discuss possible consolidation. However, it has participated as an observer, represented by our Payments Policy Department. And as it became apparent that there was support for a merger among the industry shareholders and for an application to the ACCC for authorisation, the Bank indicated to NPPA that it would seek to reach agreement on suitable arrangements under which it would remain a full participant in the NPP but redeem its existing shares in NPPA and not become a shareholder in the proposed holding company that would hold the shares in NPPA and the companies that operate BPAY and eftpos. In the event that a merger proceeds, the Bank expects that it will revise the Memorandum of Understanding between NPPA and the Bank.

The Bank notes that the Commission will take account of a wide range of issues in deciding if the amalgamation of the three schemes would be in the public interest. It notes also that any payment systems operated by a merged entity would continue to be subject to potential Reserve Bank regulation to deal with any public interest concerns regarding competition and efficiency. And, regardless of the decision by the Commission on the authorisation request, the Bank would see benefits in periodic reviews of NPP access and functionality similar to the review that was conducted jointly by the Bank and the Commission in 2018-19.

With the exception of providing the above material as background regarding the Bank's role to date, the Bank does not wish to make a submission regarding the merits of this application for authorisation but stands willing to support the ACCC's staff and Commissioners with regard to any data or facts relevant to their decision making.



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