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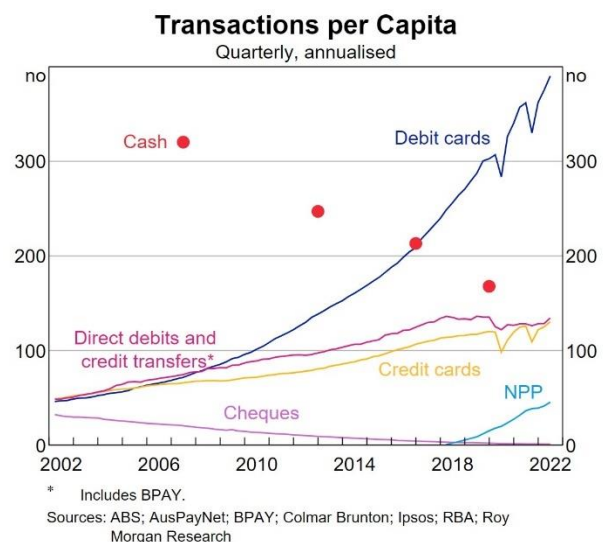
Australian Payments Network (AusPayNet) thanks Treasury for the opportunity to respond to its 2023-24 pre-budget consultation and contribute ideas towards a better future for Australia. AusPayNet supports a budget that delivers on digital transformation and expands Australia's digital economy. We believe that by strategically driving the transformation of the payments system, Australians stand to gain from the opportunities to further innovate world-leading payment services, enjoy efficiencies in payments to manage their lives, and be protected from economic crime.

About AusPayNet - Membership and role

AusPayNet is the industry association and self-regulatory body for the Australian payments industry. We manage and develop procedures, policies and standards governing payments in Australia. Our purpose is to enable competition and innovation, promote efficiency, and control and manage risk in the Australian payments ecosystem. AusPayNet currently has over 150 members, including financial institutions, operators of Australia's payment systems, merchants, and financial technology companies.

Context - Transforming Australia's payments system to power the digital economy

The size of the payment industry and digital economy has grown significantly and will continue to do so as Australians increasingly prefer to make payments electronically. The payments industry moved at least \$13.6tn across the Australian retail economy through account-to-account transfers (\$12.9tn) and cards (\$710bn) in 2021/22, according to the Reserve Bank of Australia (RBA).¹ Australians made more than twice as many electronic transactions per person on average (650) in 2021/22 compared to a decade earlier. Correspondingly, cash and cheques are rarely used (see graph from RBA Payment System Board Annual Report 2022.) This trend has been reinforced by changes in payment behaviour through the COVID-19 pandemic.²



With the 2021 'Treasury Review of the Payments System' (Review), the payments industry is at a tipping point of further innovation through government-led strategic planning and programs. The following three

¹ RBA, 28 September 2022, 'Payments System Board Annual Report' ([link](#)).

² Ibid.

major workstreams will help build a strong foundation for economic growth and an appropriately balanced regulatory regime to simultaneously enable innovation, efficiency, trustworthiness and accessibility.³

1. **Modernising payments infrastructure will improve the efficiency of moving at least \$1B a day**, the value of cheques drawn each day.⁴
2. **Combatting scams will help stem economic losses, estimated to be \$4B in 2021.**⁵ This necessitates the strengthening of cybersecurity laws, digital identity, and cross-sectorial coordination.
3. **A single, tiered payments licensing framework in line with a defined list of payment functions would give clarity to both new and existing companies, increasing their confidence to bring new payment services to market.** This should be founded on the 'same risks, same rules' principle to ensure consistency, protect consumers, and support payment innovation.

AusPayNet continues its commitment to support the Treasury and relevant regulators to unlock the potential of this exciting new future. We believe a forward-thinking budget would properly resource the three abovementioned workstreams to deliver on this vision. The resourcing would both enable the delivery of prioritised policy initiatives to steer industry efforts and prepare the Government to transition to new methods of payments to demonstrate its leadership and provide the invaluable catalyst for change.

Modernising payments infrastructure

AusPayNet notes that the 2020/21 budget set aside funds to transition the government to new digital services, reduce regulatory barriers and prepare senior Australians for the digital economy. AusPayNet agrees that these are important programs and suggests increased funding for a comprehensive change program to:

- Update all legislation that requires the exclusive use of non-digital payment methods (e.g. cheques-only) to ensure that they are payment-neutral and thus, future-proof. This includes completing the 2021/22 budget initiative of amending the *Health Insurance Act 1973* to achieve efficiencies of \$4.4 million over four years.⁶
- Update the Cheques Act 1986 (Cth) taking into account that cheques no longer operate in a pure paper environment. That is, the Cheques Act should recognise that cheques exist along side many other electronic forms of payment and recognise that many banking services are delivered using electronic means.
- Update internal government technologies, and processes to use new methods of payment (e.g. enabling NPP and PayID) as the government delivers more services digitally through myGov.

Combating Scams – Making Australia a hard target for scammers

AusPayNet welcomes the Treasury's focus on scams, noting that the October Budget Repair package was the first to address this specific issue and consider ways to raising consumer awareness.

AusPayNet observes that there are opportunities for increased collaboration and coordination between government entities and the industry. The recent spate of cyberattacks on major companies and the resultant opportunistic scammers showed the importance for cross-sectorial data sharing and prompt corrective

³ Commonwealth Treasury, 14 December 2022, 'A Strategic Plan for the Payments System – Consultation paper', p 8-9 ([link](#)).

⁴ RBA, accessed Jan 2023, 'Payments data: C5 Cheques – Seasonally Adjusted Series' See Cell K262. ([link](#)).

⁵ ACCC, 7 November 2022, 'Scam losses to culturally diverse communities, people with disability and Indigenous Australians almost doubled in 2021' (Media Release) ([link](#)).

⁶ Australian Government, 'Budget 2021-2022, Paper 2', p 110 ([link](#)).

actions.⁷ AusPayNet suggests further funding (above and beyond that in the October Budget Repair package) for:

- Updating and aligning regulatory frameworks, including the obligations set out in the *Privacy Act* and *Anti-Money Laundering and Counter-Terrorism Financing Act*, to enable payment providers to more closely monitor or flag fraud activity on potentially compromised accounts.
- Development of a National Anti-Scam Code so various peak bodies (e.g. AusPayNet, Communications Alliance and Digital Industry Group Inc) and the ACCC can co-design ways to share data and perform drills across sectors and multiple government agencies.
- Public scam awareness campaigns, including the use of media outlets and local community outreaches.

A single, tiered licensing framework

AusPayNet notes that in introducing a tiered payments licensing framework for payment service providers, there are several steps envisaged by the Payments System Review⁸, some of which are pre-cursors to the license – introducing a list of payment functions that require regulation (Recommendation 8), and defining common access requirements (Recommendation 11) – and some of which are license requirements: mandating the ePayments Code for payments licensees, and compliance with technical standards set by authorised industry bodies. While this work could be funded through individual regulators' policy programs, AusPayNet suggests highlighting the funding of the work initiative to show Treasury's leadership in payments reform, and to ensure that a single, tiered licensing framework is introduced in a timely manner, to protect consumers, and support payment innovation.

Conclusion

AusPayNet appreciates the opportunity to respond to the pre-budget consultation and to contribute our insights from the perspective of the payments industry. We believe it is important to scale the funding of useful existing programs and launch new ones to transform Australia's payment system. The clear funding will signal the Government's leadership and commitment to drive innovation and efficiencies in the digital economy, recovering potentially billions in opportunity costs. In line with the RBA Payments Innovation Review in 2012, we would also welcome the opportunity to increase cooperation with regulators, including further engagement with the Treasury on the issues raised in this submission.

⁷ The lack of proactive cross-sectorial data sharing means that customers and industry players are not alerted to take prompt preventative actions against scams. This regulatory gap came to light during the Optus incident whereby 2.1M past and present customers of Optus had at least one identity document number stolen. The Telecommunications Regulations 2021 were amended on an urgent basis so that telecommunications carriers and carriage service providers could share specified information about the affected customers with their Financial Institutions (FIs). This was done to help the FIs to combat any resulting scams. In return, the FIs committed to proper use, disclosure and protection of the shared data. ([link](#))

⁸ Payments System Review, from system to ecosystem ([link](#)).