

Appendix 1: The Payments System: Regulators, Reviews and Inquiries

Reviews Ongoing or Not Yet Finalised

Ongoing

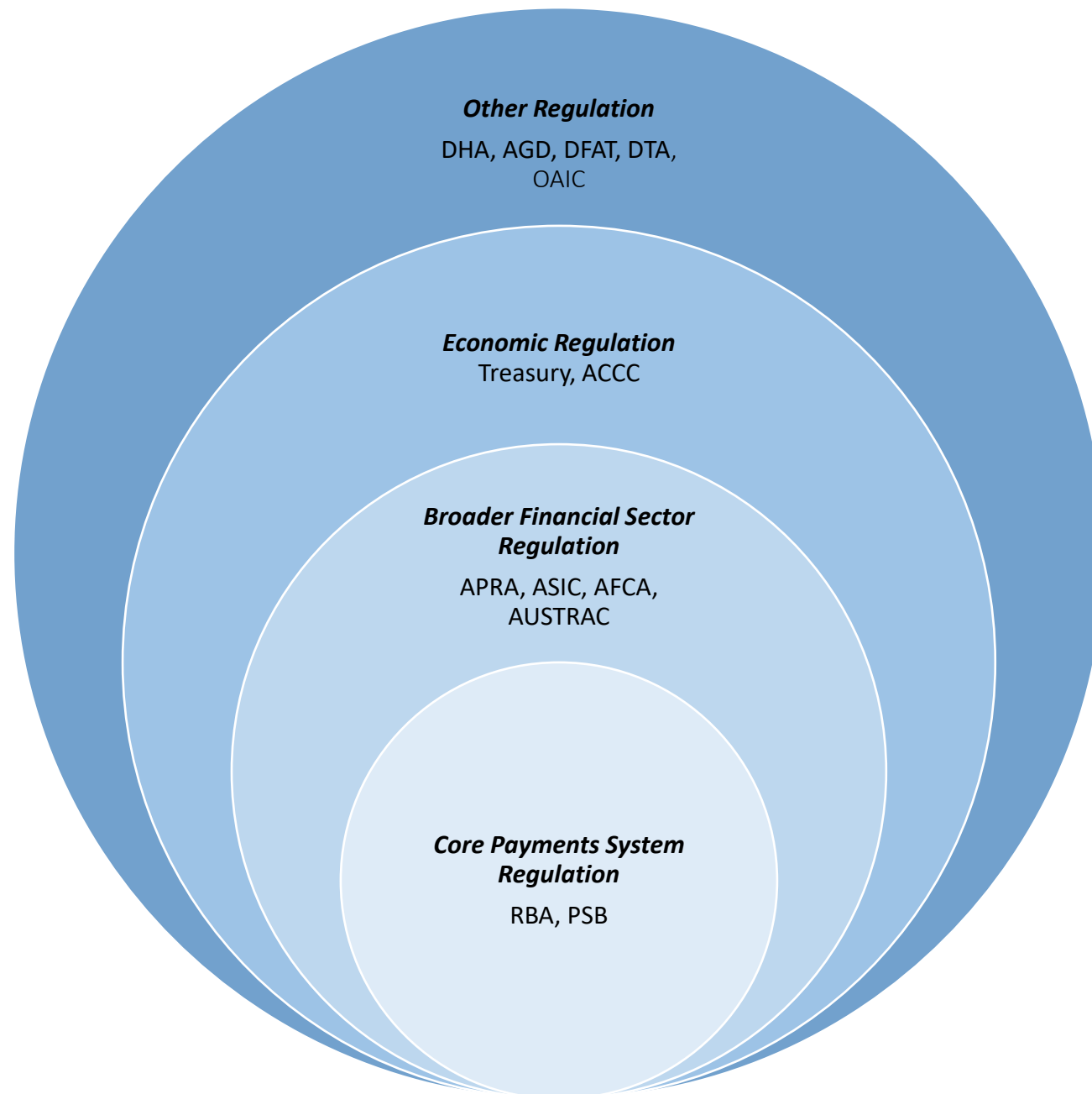
- AFCA – *Fairness Framework Consultation*
- AGD – *Review of the Privacy Act 1988*
- DTA – *Trusted Digital Identity Framework*

Ongoing Core Payments

- ASIC – *ePayments Code Review*
- DHA – *Critical Infrastructure (Systems of National Significance)*
- Parliamentary – *Senate Select Committee on Financial Technology and Regulatory Technology*
- RBA – *Review of Retail Payments Regulation*
- Treasury – *Review of the Australian Payments System*
- Treasury – *Future Directions of the Consumer Data Right*

Anticipated

- APRA/ASIC – Upcoming consultation on regulatory rules for the proposed SVF regime



APPENDIX 2: EXAMPLES OF INDUSTRY COLLABORATION VIA SELF-REGULATION

- **Fostering the Future of the Australian Payments System.** AusPayNet administers the Australian Payments Council (APC), the strategic coordination body for the Australian payments industry that seeks to move barriers to innovation through collaboration. It engages directly with the RBA's PSB. The APC fosters the ongoing development of the Australian payments system to ensure it continues to meet the changing needs of Australian businesses and consumers with innovative, secure and competitive payment services. Since establishment, the APC has been active in shaping the future of payments:
 - **Using Data to Improve the Lives of Australians.** In August 2017, the APC held a hackathon to examine how greater access to data could improve the lives of Australians. Teams developed a range of innovative apps ranging from disaster resilience, to dating, and personal finance management. The resulting report provided a strong evidentiary basis for the APC's subsequent submission to the Treasury *Open Banking Review*.¹
 - **Delivering TrustID.** Supported by AusPayNet, the APC created the TrustID framework, which is an open, contestable framework designed to improve the security and convenience of online transactions between individuals and a wide range of private sector entities. The TrustID framework (which was developed collaboratively by banks, credit unions, card schemes, retailers, Australia Post, and a telecommunications company, as well as the Digital Transformation Agency) is not a solution in itself; it presents a series of rules and guidelines for organisations to adhere to when designing and developing products and services. The framework ensures interoperability between different solutions, allowing a range of service providers, including fintechs to create a marketplace of services. AusPayNet is currently supporting implementation of the Trust ID framework, including creating a governance structure, accreditation and a trust mark.²
 - **Payments in a Global, Digital World.** Following a six-month consultation with industry, the payments community and other end-users, in June 2019 the APC released a new strategic agenda, *Payments in a Global Digital World*.³ The new strategic agenda came against a backdrop of ongoing evolution and emerging business models. The new strategic agenda identified five key focus areas: (1) systemic resilience, (2) combatting financial crime, (3) financial inclusion and accessibility, (4) interoperability, and (5) sustainable innovation.
 - **Current Work Areas.** The APC has commenced work on the new strategic agenda, with an initial focus on the first three areas. The APC is currently developing a risk management strategy for systemic resilience, is working with industry and regulators to identify blockages to combatting financial crime, and has commenced consideration of an industry strategy to manage the decline of cash as a retail payment mechanism.
- **Fighting Financial Crime.** Tackling scams and card fraud is a major priority:
 - **The CNP Fraud Framework.** On 1 July 2019, the AusPayNet-developed *Card Not Present (CNP) Fraud Mitigation Framework* (the Framework) came into effect.⁴ The Framework was developed through collaboration with our members, merchants, the RBA, gateways and payment service providers. Our most recent fraud data (released on 2 December 2020) includes the first full year of the Framework's operation.⁵ It shows that fraud on payment card transactions declined 15.4%

¹ APC (Sep 2017), *Submission to the Treasury Review into Open Banking* ([link](#)), Attachment 1

² AusPayNet (Accessed 21 Jan 2021), *Trust ID Framework* ([link](#))

³ APC (June 2019), *Payments in a Global, Digital World* ([link](#))

⁴ AusPayNet (July 2019), *CNP Fraud Mitigation Framework* ([link](#))

⁵ AusPayNet (Dec 2020), *Fraud Statistics: July 2019-June 2020* ([link](#))

in the year to 30 June 2020. Our 2020 statistics showed the largest ever decline in card fraud and the first ever decline in CNP fraud. This occurred alongside a significant growth in e-commerce, in part due to COVID-19.

- **Chip & PIN.** The roll out of Chip & PIN at point-of-sale (POS) and ATMs was similarly coordinated by industry. Involving a diverse range of participants, from hardware manufacturers to retailers, card issuers and acquirers, and card schemes, the introduction of chip cards and PIN-based authentication continues to protect against fraud losses. In 2020, counterfeit/skimming fraud fell for the fourth year in a row to its lowest ever level.
 - **Fraud in Banking Forum.** Established by AusPayNet in 2013, the Fraud in Banking Forum (FIBF) holds quarterly meetings to promote informal dialogue between fraud specialists from Australia's financial institutions and law enforcement representatives. Regularly sharing information and problem solving at a strategic level has helped develop strong and trusted relationships between the two communities and minimised the instance and impact of fraud.
 - **Scams Strategy.** AusPayNet is developing an industry strategy to minimise the impact of payment scams.
- **Ensuring Interoperability.** The value proposition of a payment method relies on broad acceptance from both customers and merchants: merchants will accept payment methods if they feel that there is a customer demand, and customers will adopt payment methods that are widely accepted. Basic efficiency, security and interoperability requires agreement on common business process flows, technology, data standards, and liability allocation. In Australia, industry independently drives agreement on these common processes, and standardises and harmonises them in AusPayNet's Regulations and Procedures.
 - **Delivering an Advanced Infrastructure.** The Prime Minister has stated that "Australia has arguably the most advanced real-time payments system in the world".⁶ Industry has invested heavily in payments infrastructure, including ongoing upgrades to existing systems, and development of the New Payments Platform (NPP). NPP's development was overseen by AusPayNet's Real-Time Payments Committee from 2012, until in 2016 New Payments Platform Australia was staffed as a separate company to manage the go-live and rollout. AusPayNet is presently leading a multi-year industry project to upgrade the High-Value Clearing System (HVCS) to the ISO 20022 messaging standard, to drive further functionality through the use of richer, structured data.
 - **Advancing Contactless.** The card schemes' rollout of contactless has given Australia one of the highest levels of contactless payments in the world and enabled Government initiatives to extend contactless to public transport (assisted by AusPayNet's Open Loop Transport Payments Framework⁷). AusPayNet also led the industry in increasing the contactless limits without a PIN from \$100 to \$200 in response to COVID-19⁸, demonstrating the speed and agility of the self-regulatory model.
 - **Supporting New Entrants.** AusPayNet has undertaken a number of initiatives to support new entrants. These include:
 - **Better understanding fintech requirements of the Australian payments system:** AusPayNet has engaged with new entrants and financial sector regulators (including the RBA, APRA and ASIC) to better understand the needs of fintechs in the payments system. We commissioned a survey of

⁶ The Hon Scott Morrison MP, Press Conference, Parliament House, (29 Sep 2020)

⁷ AusPayNet (accessed Jan 2021), *Open Loop Transport* ([link](#))

⁸ AusPayNet (Apr 2020), *Media Release: Contactless Card PIN Limits to Increase Temporarily to Help Reduce the Risk of COVID-19 Transmission* ([link](#))

the Australian fintech community, followed by a focused workshop with members of that community. Primarily this highlighted a challenge regarding where to obtain independent and trusted information on payments. Compounding this was the array of different payment systems, financial licensing requirements and access options on offer. As a result we produced a comprehensive guide for new entrants on how to navigate the payments landscape.⁹

- **Investigating a payments sandbox.** The research above also examined the need to develop an end-to-end payments sandbox. AusPayNet is considering further work on this, including validating the need and requirements.
- **Adapting to innovation in point-of-sale devices:** Consumers' and businesses' strong preference for digital payments is enabled by a high number of point-of-sale devices. Globally, Australia has among the most POS terminals per million inhabitants. Since 2015, the number of POS devices has increased by 10.1%.¹⁰ In 2017, AusPayNet created a pilot and approval process for non-standard devices that can be used where there is no relevant international standard for device security assessment. AusPayNet has also commenced a detailed review of our payments acceptance process and international payment security standards. In the interim, we have worked with companies developing payment acceptance solutions, including fintechs, on a case-by-case basis. Solution developers can and have become Affiliate Members of AusPayNet; examples are Threatmetrix, Quest Payment Systems, Rambus and Pin Payments.
- **Accessibility for All.** In consultation with members and disability and community stakeholders, AusPayNet developed world-first *Guidelines for Accessibility in PIN Entry on Touchscreen Terminals*,¹¹ designed to make it easier for people living with vision and/or motor impairments to make payments on POS touchscreens.
- **Emerging Technology Experts Group.** To enable early identification of any challenges or opportunities that may require an industry response, AusPayNet created the Emerging Technologies Experts Group (ETEG). The ETEG focuses on all technologies that impact the payment landscape. In particular, ETEG is considering the impacts of Artificial Intelligence (AI) and QR Codes. ETEG is considering QR Codes under two key themes – consumer confidence and technology interoperability – and working with Standards Australia on AI.

⁹ AusPayNet (Dec 2020), *Navigating Payments for New Entrants* ([link](#))

¹⁰ AusPayNet (Dec 2019) *Annual Review 2019* ([link](#))

¹¹ AusPayNet (Dec 2019), *New Guidelines for Accessibility in PIN Entry on Touchscreen Terminals* ([link](#))