



3 August 2021

Senate Select Committee on Australia as a Technology and Financial Centre

Delivered via email: fintech.sen@aph.gov.au

Dear Senators

NPP Australia has been asked to provide the Committee with an update on the implementation of the Committee's recommendation that NPP Australia 'regularly report on implementation progress of the NPP roadmap in order to drive wider access to the platform' and to provide an update on the current status of the NPP roadmap delivery.

NPP Roadmap

NPP Australia publishes its roadmap biannually, in April and October, providing the market with an update on the plans to enhance and extend the platform's capabilities to meet the needs of the payments ecosystem.

The latest version of the NPP roadmap was published in April 2021 (available [here](#)), which focused on three key areas of capability development:



Enabling third-party payment initiation

As communicated to the Committee previously, the biggest improvement we expect to see in relation to the needs of fintechs is enabling third-party payment initiation with the delivery of the NPP's PayTo service (formerly known as the 'Mandated Payments Service').

This will allow non ADIs, whether they are directly connected to the NPP or indirectly connected via a sponsoring entity, to send instructions across the NPP for payments to be made from a customer's account, with the customer's authorisation. PayTo enables a more digital and enhanced customer experience, providing customers with more visibility and control over their payment arrangements. Specifically, this functionality:

- Offers a better alternative to direct debit, addressing a number of issues which have been the subject of much discussion over a number of years, in particular the difficulty in cancelling direct debit arrangements, the lack of control that customers perceive they have over their direct debit arrangements and additionally provides an effective mechanism to move arrangements more easily between accounts.
- Goes beyond being just a replacement for direct debit by also supporting the linking of bank accounts for in-app payments, card-on-file arrangements (such as Uber), funding for other payment options such as digital wallets and BNPL services and for recurring e-commerce payments.

- Has also been designed to support customers being able to instruct third parties to initiate payments in real-time from their bank account as envisaged under CDR, and could be one of the means by which financial institutions can meet any potential obligations to deliver payment initiation under CDR.
- Builds upon the existing NPP infrastructure and leverages existing features and protections operating within the NPP today, specifically use of PayID, fraud prevention, liability allocation and risk management processes.

The delivery of the PayTo service is a key priority for NPP Australia and the industry. Implementing this critical capability is a multi-year programme of work requiring significant change to existing back-office processes, technical systems and customer facing digital channels. Considerable progress has been made across the industry to prepare for the delivery of this capability with the mobilisation of significant resources across more than 100 participating financial institutions. The service is now in build and implementation stage and is due to be delivered by mid 2022.

Access options under PayTo

Third parties that want to use the NPP to initiate payments using the PayTo service will have a range of access options, both indirect and direct.

1. Indirect Access



Third parties can connect indirectly via any one of the NPP participating organisations who are offering PayTo services, as well as via an NPP Connected Institution (see below).

Third parties seeking indirect access are not required to be accredited under the NPP access framework.

2. Direct Access



There is also the option for non ADIs to connect directly to the NPP as a Connected Institution for the purposes of sending payment initiation messages¹.

Given these payment initiation messages are *instructions* for a payment to be made, they are inherently less risky than a payment clearing message, which entails the *actual* transfer of value from payer to payee. Payment initiation messages only result in the transfer of value when they are acted upon by an NPP Participant (as the payer's account servicer).

For Connected Institutions, we have sought to align our certification and accreditation requirements with the CDR ACCC accreditation model. If an applicant is already a CDR-accredited data recipient, they are likely to have already satisfied many of the criteria required by NPP Australia. This also means that the certification and accreditation fee², one of the key upfront costs payable, will be lower for CDR accredited data recipients.

For certain regulated entities, additional certification and accreditation would not be required, such as for an ADI, Prescribed Payment Facility provider, or (potentially) holder of a Stored Value Facility licence in the future.

¹ As Connected Institutions are not involved in the clearing and settlement of NPP payment messages and they do not themselves hold funding accounts, they do not need to be an ADI. For more information, see options for [Accessing the NPP](#).

² Including certification fees levied by NPP Australia's retained third party assessor.

The other main upfront cost payable by a Connected Institution relates to the purchase of NPP componentry or NPP gateway which the organisation installs in their operating environment. This hardware and software are supplied to a Connected Institution by NPP Australia, on a cost recovery basis³.

Once a Connected Institution has been set up, they pay ongoing transaction fees to NPP Australia. These fees are set at a wholesale level, are published to ensure transparency, and apply to all directly connected NPP Participants and NPP Connected Institutions equally.

A main feature of the PayTo service is that third parties can reach any one of the 75m+ NPP enabled accounts via a commercial agreement with **one** access point. This is a key differentiator to third party payment initiation in other markets, such as the UK, and removes the need for a fintech to integrate with each and every financial institution where their customers hold their bank accounts – or the need to use intermediaries.

If the Committee has any further questions or requires any additional clarification on the information provided above, I would be happy to assist.

Yours faithfully

ADRIAN LOVNEY
Chief Executive Officer
New Payments Platform Australia Limited

³ Other costs apply to installing this payment gateway including vendor network partner fees.