



Select Committee on Financial Technology and Regulatory Technology
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Via email: fintech.sen@aph.gov.au

9 April, 2020

Dear Committee Members,

At eftpos, our highest priority is the health and wellbeing of the Australian communities we serve, including consumers, merchants, members, stakeholders and employees.

We are closely monitoring coronavirus (COVID-19), following the current guidance from the government and health authorities, while also looking at ways to assist Australians and Australian businesses through the crisis and the recovery phase.

We understand the concerns and uncertainty around the current coronavirus (COVID-19) situation and we're taking all necessary measures to keep our team safe and keep our business running smoothly to deliver efficient, secure and cost-effective payments for Australians during these difficult times.

eftpos can assist the Australian FinTech sector thrive and grow during and after this difficult period by providing low cost access to our network and payments capability over our national, real time processing infrastructure. FinTech is a key sector for the future of the Australian economy and jobs creation, and it needs our support.

Based on our discussions with various FinTechs, Stone & Chalk and others, low cost access, combined with our mobile payments capability, our ability to issue tokens, and the work we are doing with industry around real time digital payments and a ubiquitous Digital Identity solution, have the potential to bring many FinTech solutions to life in the current environment.

These rich network features could give FinTechs the ability to access, innovate and collaborate in a range of new data sets and marketplaces that currently have high barriers to entry.

eftpos is also acting and working with industry to help alleviate the impact on small business during the current crisis with additional measures that will be announced to industry soon.

As such, we support a number of Stone & Chalk's policy recommendations that promote Australian businesses, including its 'buy local' policy which calls for greater focus and opportunity for local ITC solutions and an increase in local company's participating in public procurement.

We are equally cognisant of the demands being placed on governments, the major banks and the broader financial sector during the current crisis including in the recovery phase, and the need to carefully prioritise policy and regulatory initiatives that are critical to the needs of our sector and the economy more generally.

In this environment and in recognition of the Committee's sensible request to focus on solutions for industry and government we have limited our submission to a brief overview of our company, our commitment to the Fintech sector and some key reforms and initiatives.



eftpos background

As the only Australian-owned separately designated payments system, eftpos is an essential part of the national payments infrastructure and is committed to providing efficient, cost-effective and market-specific payments solutions for the benefit of all Australians.

Launched in the 1980s, the eftpos system was a world leader in introducing a fast, simple and secure payment system that was rapidly embraced by both shoppers and merchants. eftpos revolutionised the way we pay for goods and services, and as a result changed the retail landscape forever.

eftpos is a national payments network that enables real time payments for businesses and consumers across the Australian economy. eftpos is characterised by its high levels of accessibility, its ease of use, its low payment costs, and the fact it is an open network that is fully integrated with the broader financial and payments sectors. Arguably, eftpos is Australia's first national fintech provider.

eftpos is a mutual style corporation that is not motivated by profit and promotes choice and competition in the Australian market.

The eftpos Company Purpose is simple - to change the way Australians pay for the better. eftpos is owned and operated by Australians. All eftpos transactions are processed in Australia, using Australian-located infrastructure, and our taxes are paid here.

The key eftpos policy principles are to:

- Drive efficiency and competition for better merchant and consumer outcomes;
- Embed security and resilience as a core proposition;
- Provide equal access across all platforms and form factors (eg cards, mobile, e-commerce, digital tokens); and
- Deliver full transparency in pricing and regulation.

There are currently more than 40 million bank accounts and 50 million eftpos-enabled cards in the market. As such, eftpos is currently well placed to deliver real-time and secure payments to almost all Australians with a bank account.

Industry Engagement and Support

eftpos is already active in the FinTech ecosystem, including :

- Building an Application Programming Interface (API) to give Australian FinTechs low cost access to network and payments capability for their solutions;
- Partnering with Stone&Chalk innovation hub to build closer relationships and understand the needs of Australia's FinTech community;
- Working closely with several Australian FinTechs including Finch, Data Mesh and Verency on innovations designed to improve merchant and consumer outcomes;
- Trialling eftpos eCommerce capability across the payments ecosystem to enable low cost, secure eCommerce payments for Australian business which, with the appropriate support from major banks and Government, would give FinTechs the ability to initiate and process payments at a low cost and in real time;
- Working with the industry with a view to building a Digital Identity solution which would have the ability to provide access to more than 40 million bank accounts utilising bank verification systems with eftpos' capability. This creates numerous opportunities for FinTechs because our solution uses the Australian Payments Council's TrustID framework along with industry collaboration, to create similar interoperability and ubiquity for an identity solution as we provide today for Australian payments; and
- Working with Australian banks and regulators to ensure the appropriate level of support for dual network capability across all platforms and form factors such as card, ecommerce and mobile to drive competition, innovation and efficiency.



PRIORITY INITIATIVES FOR FINTECHS

eftpos Digital payments and Digital Identity solutions

The COVID-19 pandemic has highlighted and, in many cases, hastened the use of technology across a broad range of sectors such as e-commerce, online education, tele-working and access to government services such as business, social security and employment support.

We believe there will be a critical need for increased competition in digital payments, as well as an Australian-based Digital Identity Solution to help facilitate this accelerated digital transition and provide opportunities for the FinTech community.

In addition to our existing mobile payments capability and our ability to issue tokens, eftpos is working with industry on digital payments and identity solutions that, with appropriate Government support, could be activated in a short timeframe and bring significant benefits to the FinTech community at no cost to Government.

Digital Payments

eftpos and its Members have already made systems changes to enable eftpos online digital transactions which could lead to lower costs and enhanced payments competition for the benefit of merchants and consumers. For many months, eftpos has been successfully running this service with a number of retailers in Sydney, as well as payment gateways and small issuers.

With Government support, we now want to work with major banks to turn on this service more broadly, starting with low risk card on file transactions. eftpos Digital payments would give FinTechs the ability to initiate and process payments at low cost and in real time, with various use cases across the economy.

This change would also assist merchants reduce costs during the coronavirus crisis and recovery period, while also providing exciting new opportunities for the FinTech community, at no cost to Government.

eftpos Digital Identity Solution

We are working with industry to build a Digital Identity solution which could have significant advantages for the economy and society such as:

- A smoother, faster and more secure onboarding experience, including for Government services;
- New secure and privacy-protecting ways to distribute government funds such as social security, disaster relief, health services or small business assistance;
- Provide FinTechs with low cost access range of new marketplaces and channels that currently have high barriers to entry;
- Reduce the impact of fraud – there is almost \$500 million in card fraud annually;
- Protect the identities of Australians – to guard against identity theft and save the 60 hours on average that it takes to get it back;
- Assist businesses meet their regulatory obligations; and
- Keep the personal data of Australians onshore.

A Digital Identity solution would also enable FinTech to innovate with Government to provide better ways to distribute Government funding, such as refunds or relief packages, in real time to citizens and small businesses during times of crisis.

It makes sense for eftpos to provide this service because we are Australian-based and our transactions are processed here. In addition, eftpos is not owned by or beholden to any other commercial provider so it can operate as a neutral provider of Digital Identity solutions, maximising their take up and use across the broader economy.



With access to more than 40 million bank accounts utilising bank verification systems with eftpos' capability, we are uniquely placed to provide digital Identity services with the support of Australian Issuing banks. Customers can rely on eftpos' reach and payments data access to utilise their credentials without having to input their data time and again.

By providing a Digital Identity Solution, along with payments capability within a mobile App, eftpos could help FinTechs and banks create powerful solutions that leverage existing industry investments and make life easier for Australians by bringing consumers, merchants and Government together, seamlessly and securely. There are many successful examples of these solutions around the world including in Nordic countries and Asia.

eftpos has already done a Proof of Concept on the Digital Identity Solution with 17 Australian businesses and plans to move to trial shortly.

AN IMMEDIATE REFORM INITIATIVE

Least Cost Routing in Digital and at Point of Sale

Least Cost Routing (LCR) works on multi-network debit cards – the most commonly used cards in Australia – when they are tapped (commonly referred to as 'Tap and Go') but can also be applied to the digital environment. eftpos believes that businesses that carry the cost burden of electronic transactions should be able to route them through the lowest cost network (whether that be eftpos or another network).

Because these cards have two networks on them – eftpos and an international payments company – with LCR enabled, the merchant has a choice to route to the lower cost scheme. The idea of LCR isn't new – it has already been adopted in the USA, parts of Europe and Malaysia.

At present merchants are rightly encouraging consumers to use contactless tap and go payments instead of cash to help reduce the risks of the spread of COVID-19. This is a sensible and practical measure, however, without LCR, this means ongoing increased costs for business and likely flow on impacts for consumers.

In Australia only a small percentage of debit card transactions are currently routed, so there is a major opportunity for significant cost reductions particularly for small businesses that have little market power and are hurting in the current environment.

Least Cost Routing can also be applied more widely than just point of sale payments in stores. The same principle can equally apply to e-commerce – an option that are likely to become increasingly important in the coming months as online businesses become a more critical aspect of Australia's economy (e.g. home delivery of items usually purchased at physical stores).

The Reserve Bank of Australia (RBA) has made clear that it strongly supports the widespread rollout of Least Cost Routing. However, it is still not available to many merchants.

During these difficult times there is an opportunity for the RBA, the banks and Government to work together to ensure merchants have access to the benefits of least cost routing in eCommerce and at Point of Sale during these difficult times.



Thank you for the opportunity to respond to the Committee.

Yours sincerely,

Stephen Benton
eftpos Managing Director