



SUBMISSION PAPER:

Submission to the Inquiry into Mobile payment and digital wallet financial services

June 2021

This Submission Paper was prepared by FinTech Australia working with and on behalf of its Members; over 300 FinTech Startups, VCs, Accelerators and Incubators across Australia.



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Table of Contents

About this Submission	3
Submission Process	3
Inquiry into Mobile payment and digital wallet financial services	4
About FinTech Australia	5



About this Submission

This document was created by FinTech Australia in consultation with its Payments members. In particular, the submission has been compiled with the support of our Payments co-leads:

- Rebecca Schot-Guppy, FinTech Australia
- Simone Joyce, Paypa Plane

Submission Process

In developing this submission, we collected feedback from our Payments members in relation to key issues relating to this consultation.



Inquiry into Mobile payment and digital wallet financial services

Through consultation with its members, FinTech Australia has been made aware of the widespread impact of the rapid growth of digital payments upon Australia's payments ecosystem. Digital payments unlock a range of potential new features for consumers, including improved choice and value. The growth of digital payments encourages greater business competition and innovation, leading to the creation of more tailored products for consumers. However, competition in the sector is currently at risk due to the limited number of competing mobile device manufacturers and operating system developers. The limited range of hardware and software solutions play a critical role as the overarching infrastructure for mobile payments. In turn, there is a risk that a lack of competition in these sectors will reduce consumer choice and business innovation, as well as increase costs for domestic innovators and start-ups.

For example, Apple Pay and Google Pay dominate other payment platforms internationally. Similarly, e-commerce platforms such as Shopify control a significant portion of the market. As a result, the majority of digital payments are limited to operating within the parameters of a small number of major platforms. The existing power imbalance between the present technology giants and new start-ups is likely to impact competition and stifle innovation.

In turn, the Government should take the following steps to protect competition and innovation in the sub-sector and ultimately improve consumer and small business outcomes:

1. Require manufacturers to provide direct access to Near Field Communication (**NFC**) payment technology on their devices;
2. Prevent manufacturers from placing restrictions on how payments can be processed;
3. Introduce regulation over the terms and pricing practices of major payment and checkout platforms;
4. Require fair and transparent collection of consumer data in a balanced manner that does not impact competition;
5. Require that digital wallet providers comply with regulatory and self-regulatory bodies when requested to provide data on usage and other statistics. Data will be beneficial to understand competition and adoption in the sub-sector (similar to the data that AusPayNet compelled the banks to provide on credit card fraud to better understand the



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banking landscape). This data should also be able to be released to the industry (where appropriate) similar to AusPayNet releasing reports on credit card fraud;

6. The government should support and encourage the testing of alternative mobile and wallet payment solutions such as Bluetooth Low Energy (**BLE**), to bypass the need to access NFC modules on mobile devices, whilst maintaining the highest levels of security and encryption of sensitive card and personal data. BLE removes the need to force hardware manufacturers to open access to their secure components. As a result, the use of BLE provides technology companies and banks with the freedom to develop their own customer experiences for mobile and digital payments without the perceived control of the hardware manufacturers, regardless of the hardware type.

About FinTech Australia

FinTech Australia is the peak industry body for the Australian fintech Industry, representing over 300 fintech Startups, Hubs, Accelerators and Venture Capital Funds across the nation.

Our vision is to make Australia one of the world's leading markets for fintech innovation and investment. This submission has been compiled by FinTech Australia and its members in an effort to drive cultural, policy and regulatory change toward realising this vision.

FinTech Australia would like to recognise the support of our Policy Partners, who provide guidance and advice to the association and its members in the development of our submissions:

- DLA Piper
- King & Wood Mallesons
- K&L Gates
- The Fold Legal
- Cornwalls