

22 November 2018

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Via email to: [nppsubmissions@rba.gov.au](mailto:nppsubmissions@rba.gov.au)

## **Reference: Consultation on New Payments Platform Functionality and Access**

We refer to the Reserve Bank of Australia's media release issued on 29 October 2018, announcing the consultation on the New Payments Platform and we thank you for the opportunity to provide feedback.

This submission provides our views on the question of an Access Regime for NPP and some issues we see emerging with the development of new overlay services.

### Access Regime

We do not support the Payments System Board imposing an Access Regime on the NPP.

There are a number of options available that provide access to the NPP that have been outlined in the Bank's consultation document. To date, these have given choice to institutions ranging in size from the 4 major banks – as direct participants - to a large number of smaller banks and ADI's who have connected as identified institutions through a direct participant's payment gateway.

Since NPP went live earlier this year, there are no obvious issues that have emerged, by prospective participants wanting to connect. In the order of 70 smaller institutions have already connected, which is a strong indication that size is not a barrier to participation and the current options and rules of participation, are sufficient to allow access to all those wanting to connect.

This being the case, we propose that the Bank keep a watching brief and, if issues emerge and prospective participants find it difficult to connect, attempt to resolve these through influence rather than regulatory intervention. Recently, the Bank has been successful in influencing acquiring banks to implement least cost routing for debit card transactions without regulation and as such, we feel that a less interventional approach is sufficient and the Bank is well placed to do likewise for facilitating connectivity to NPP. If this approach proves not to be successful, the Bank can always consider regulatory alternatives at a later stage.

### Functionality

The layered architecture of the NPP has been designed to support new payment services without the need to make technical changes to the core infrastructure. The objective of this architecture design is to facilitate innovation by removing or minimising the need for technical changes at the core infrastructure.

However, the complexities and cost in developing an overlay service and bringing new capabilities to market, may limit the ability of some prospective overlay service providers to take advantage of the NPP. Furthermore, the success of a new overlay, may only succeed if there is ubiquitous access across all NPP participants. To achieve this, a prospective overlay service provider will need to bilaterally negotiate with all NPP participants, in particular the direct participants, to ensure there is the ability to both initiate and receive payments using the rules and message schemas of the new overlay.

The ability to undertake and be successful with this type of negotiation is challenging at best, and even if an overlay service provider is successful, the capacity for incumbents to schedule the necessary changes and manage commercial conflicts, may cause a new product idea to fail. This will be accentuated for start-ups who often have a short timeframe to get a product to market and achieve a return on their investment.

We are also concerned that prospective overlay service providers may be hesitant in sharing intellectual property and trade secrets with existing NPP participants, and in particular if they have to do this with multiple parties.

Once again, thank you for the opportunity to comment on the Bank's consultation paper and we look forward to discussing our submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Swannell', with a stylized flourish at the end.

Michael Swannell  
Managing Director