

19th July 2023

Director
Payments Licensing Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Payments System Modernisation (Licensing: Defining Payment Functions)

Dear Treasury,

ANZ Worldline Payment Solutions is a joint venture between Australia and New Zealand Banking Group (ANZ) and Worldline SA, a leading European payment provider. The joint venture brings together the strengths of both companies - ANZ's trusted local expertise and industry insight, and Worldline's best-in-class, end-to-end payment solutions and global innovation. ANZ Worldline provides acquiring services to Australian businesses.

Response:

ANZ Worldline supports the Treasury's approach to the strategic payment system review and welcomes efforts to provide clarity and transparency in payment regulation and reduce risks to consumers and all payment service participants.

As a merchant acquirer, we provide simple payment services. Access to card networks is a pre-requisite for offering these services and this provides a level of technical standardisation between products that support global interoperability and innovation.

Licensing Framework

We agree with the Treasury's approach to regulation based on function or activity. The proposed payment functions, whilst broad, capture the key payment functions and provide scope to accommodate future changes as the industry evolves. Worldline believes that a further risk based and graduated approach to licensing should be considered to ensure that the regulatory framework is commensurate with the level of risk and supports innovation and low costs for consumers. We understand the approach of applying the AFSL regime for the protection of consumers but there are some elements of the AFSL regime which serve financial products well but do not work in practice for acquiring services such as payment facilitation (this is where a merchant acquirer has only an indirect relationship with the end consumer). This is one example where a subset of the AFS licensing requirements may be more appropriate to address the relationships and risks in the provision of these services.

Payment Services as Financial Products

ANZ Worldline does not believe treating payment services as financial products would provide any additional consumer protection beyond the general obligations under section 912A of the Corporations Act like dispute resolution. Payment services are driven significantly by the access obligations to card schemes. Treating payment services, like merchant acquiring, as a financial product, may introduce excessive regulatory burden in the form of issuing and dealing authorisations, disclosure requirements (Product Disclosure Statements, Target Market Determinations), hawking prohibitions and advice obligations on relatively simple products. Many of these additional obligations do not mitigate the operational risks which are noted as the key risk considerations for payment facilitation service entities. These financial product controls should be reviewed to consider their applicability for payment facilitation services.

The proposed approach of functional and graduated legislation for payment services has been implemented successfully in other jurisdictions. Elsewhere in South East Asia, for example, Worldline has found that the legislative approach to create stand-alone laws regulating payment services has worked well for all stakeholders, including SMEs, merchants, and the individual consumer. This may be seen in the payment services laws in Singapore, Thailand, and Indonesia. In Singapore, legislators introduced the Payment Services Act, 2019, an omnibus law to regulate many types of payment services both existing and future. Money remittance services were brought under the purview of the new Payment Services Act. Definitions were revised to cover “domestic funds transfer” and “cross-border funds transfer” and extended in their application to other traditional and fintech enterprises engaged in such activity. The regulatory regime in Singapore clearly demarcates between (i) financial institutions and products/services offered by financial institutions (Banking Act), (ii) payment services, both traditional and new, offered by a myriad of technology, crypto, token, ‘fintech’ companies as well as mainstream merchants and e-commerce companies offering e-wallet services; and (iii) insurance companies.

ANZ Worldline also supports the consideration to include the card schemes and alternative payments methods more broadly in the PSRA review. There are a wide range of existing controls in this space and additional regulation should be focused on providing consumer benefit, without duplication or unnecessary regulatory burdens.

We are grateful for the opportunity to submit on the proposed licensing entities and functions and welcomes efforts to improve efficiency, consumer benefit and reduce risk in payments. Additional details on the specific risks that the Treasury believes are present in the current systems would help to ensure that these risks would be appropriately addressed in the future regulation.

ANZ Worldline would welcome the opportunity to work collaboratively and cooperatively with the Treasury. Should you wish to discuss any of the points raised in this submission, please do not hesitate to contact us.

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