



26 July 2023

██████████  
First Assistant Secretary  
Financial Systems Division  
Treasury  
Langton Cres  
Parkes ACT 2600

Dear ██████████,

We thank you and Treasury for the opportunity to make a submission into this consultation into reforms to the Licencing of payment service providers (PSPs) in Australia.

Wise is a PSP which makes for a fairer, more dynamic and more productive economy in Australia through our provision of low cost, transparent, cross-border payments.

Reform to increase competition and reduce unnecessary red tape in the space for international payments will likely yield considerable productivity gains for the Australian economy while also lowering the costs of both doing business and the cost of living for ordinary Australians.

### **About Wise**

Wise is a global technology company, building the best way to move and manage money around the world. With the Wise account, people and businesses can hold over 50 currencies, move money between countries and spend money abroad.

Large companies and banks use Wise technology too; an entirely new cross-border payments network that will one day power money without borders for everyone, everywhere. However you use the platform, Wise is on a mission to make your life easier and save you money.

Co-founded by Kristo Käärman and Taavet Hinrikus, Wise launched in 2011 under the name TransferWise. It is one of the world's fastest growing, profitable technology companies and is listed on the London Stock Exchange under the ticker, WISE.

16 million people and businesses use Wise, which processes around £9 billion in cross-border transactions every month, and in 2022 alone, we saved customers £1.5

billion in fees. We now welcome 100,000 new personal and business customers to the platform each week.

### **Consultation Questions**

#### **1) Are there any other principles that should be considered in developing the list of payment functions?**

Wise is satisfied with the principles which are being considered in developing the list of payment functions.

#### **2) Is the list of payment functions comprehensive, or should other functions be included?**

Wise notes that the list of payment functions are comprehensive and does not need additional functions added.

#### **3) Should all payment functions be treated as financial products under the corporations legislation or should some be treated as a financial service?**

Wise views the functions listed as ancillary to the financial system, facilitators of the broader financial system. Therefore, they should be assessed as services with the only one which might be considered a product being stored value facilities which are best described as a non-cash payment mechanism.

#### **4) Does the term 'payment stablecoins' accurately describe the types of stablecoins this paper seeks to capture for regulation or are there other terms that may be more appropriate?**

Wise does not have an opinion on this matter.

#### **5) Does the proposed definition of 'payment stablecoins' adequately distinguish itself from other stablecoin arrangements?**

Wise does not have an opinion on this matter.

#### **6) Is regulation as an SVF an appropriate framework for the regulation of payment stablecoin issuers? If not, why? What would be an appropriate alternative?**

Wise has no opinion on the position of stablecoins and their interaction with the Stored Value Facility framework except to note that we believe that any changes to the SVF framework should not rely on the delivery of regulation into crypto assets and should be pursued separately.

We also note that many stablecoin issuers have a fiat wallet function within their product offering and note that in these cases they should be required to be regulated under the SVF framework.

**7) Does the list of proposed payment functions adequately capture the range of payment services offered in Australia currently and into the future that should be regulated under a payments licensing regime?**

Wise notes that attempting to future proof this area of policy is a difficult one. The development of new payments products and the underlying technology are still moving at a very rapid pace around the world.

Regular reviews of this legislation and regulation would be more appropriate as a means of ensuring that payments are adequately regulated in Australia.

**8) Does the list need to be broken down in more detail, for example, should facilitation, authentication, authorisation and processing be separate functions?**

Wise views the list of payment functions as suitably delineated.

**9) Should any other payment functions be included?**

Wise does not believe that any further list of payments functions be included.

**10) Would the removal of the identified exclusions create unintended consequences?**

Wise does not have an opinion on this matter.

**11) Which existing exclusions and exemptions applicable to non-cash payment facilities should be amended or removed to support regulation of the proposed payment functions? Do any existing exclusions or exemptions require updating, such as the relief for low-value facilities?**

Wise does not have an opinion on this matter.

**12) Should the incidental product exclusion apply to the proposed list of payment functions?**

Wise does not have an opinion on this matter.

**13) Should any exclusions or exemptions be revised to be more consistent with comparable jurisdictions? For example, should the 'single payee' exclusions and relief for loyalty schemes, electronic road toll devices, prepaid mobile phone**

**account and gift cards be replaced by a general exclusion for payment instruments that can be used only in a limited way?**

Wise does not have an opinion on this matter.

**14) Should the exclusion for low value facilities apply to any PFS, such as money transfer services? If so, what thresholds should be considered a low value PFS?**

Wise does not have an opinion on this matter.

**15) Should any other exclusions or exemptions be provided?**

Wise does not have an opinion on this matter.

**16) Are there any other risk characteristics of a payment function that should be considered?**

Wise notes the legitimate policy concern about consumer protection using payments functions including stored value facilities. This concern is centred around the individual customer suffering financial loss.

Wise would suggest then that if this concern is to be borne out into a policy solution then one which would be feasible is the extension of the Financial Claims Scheme (FCS) to those providers of stored value. Wise, being a prudentially regulated provider of stored value, is not covered under the FCS while the level of risk of SVF are the same if not lower than that of a traditional deposit.

**17) What are the types of payment risks posed by the performance of each of the proposed payment functions?**

Wise believes that the risks outlined in the consultation document are comprehensive.

**18) While having regard to the obligations proposed to be imposed on the payment functions (outlined in Section 7), are the risks posed by the performance of each payment function appropriately mitigated by the payments licensing regime? Or are they more appropriately addressed by a framework outside of the payments licensing regime such as the PSRA or AML/CTF Act?**

Noting the potential alignment with the *Corporations Act* interpretations of non-cash payments, Wise views the obligations incumbent on payments service providers as best outlined through the payments licensing regimes.

**19) Is the proposed risk-based approach to applying regulatory obligations appropriate?**

Wise views the risk-based approach to applying regulatory obligations as appropriate.

**20) Should payment functions that are not customer facing be required to hold a payments licence? Should providers of these non-customer facing payment functions have different regulatory obligations, such as only having to comply with relevant industry standards?**

Wise views this answer as dependent on the different payments functions and different regulatory requirements. In the event that there are different functions which are not consumer facing, there should be only relevant industry standards.

The involvement of consumers, however, requires more fulsome regulatory obligations.

**21) Should the common access requirements and industry standards be linked to the payments licence? For example, would it be appropriate for some entities to only be required to comply with mandatory industry standards but not be required to hold an AFSL or comply with the ePayments code?**

Wise does not hold an opinion on this matter.

**22) What types of businesses should be subject to the common access requirements? There is limited information available on the number and size of non-bank PSPs interested in directly participating in Australian payment systems to clear and settle payments. If this is something that your business is interested in, please provide further information (including via a confidential submission).**

Wise is the first non-original participant to the NPP in Australia. Wise sought direct access in order to provide lower cost and higher speed international payments to its customers.

Wise notes the high cost of undertaking this path in both cash and compliance burdens. We also note that direct participation may or may not be the most useful course of action for other fintech participants in the payments space.

**23) Further information is sought to help identify the number and profile of participants that perform each payment function and therefore may potentially be affected by the new licensing framework.**

Wise has no opinion on this matter except to say that we are ready to assist Treasury were questions to be posed.

**24) How can the payments licensing processes across regulators be further streamlined?**

Wise believes that there is a large risk of both duplication and misalignment requiring payments service providers to cohere to both ASIC and APRA as regulators. We believe that requiring only one regulator, be it either ASIC or APRA and not both as a much more sustainable and efficacious means of regulating payments in Australia.

Along the lines of the Financial Conduct Authority in the United Kingdom, we believe that a single regulator reduces the chances of matters slipping through cracks or otherwise being unattended. We also believe that given the absence of prudential requirements for much of the industry that APRA is likely not the best fit as a regulator.

We note, however, the positive engagement from APRA as well as the consideration given to our seeking to amend the relevant prudential standards under which we operate. However, were Wise to be regulated by one entity alone it would be preferable.

**25) Is the proposal to provide central guidance and a website portal for PSP licensing processes a good alternative to the single point of contact proposal recommended by the Payments System Review?**

Wise believes that a one-stop-shop is desirable as a means to guide potential new entrants. Noting the experience that Wise had entering the Australian market, a portal with all relevant information would be distinctly preferable compared to the ad-hoc process of "Googling" all relevant information in a more unstructured manner.

We thank Treasury for the opportunity to make this submission.

Yours faithfully,



Jack Pinczewski  
APAC Government Relations Lead  
Wise