



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

29 November 2018

Reserve Bank of Australia
GPO Box 3947
SYDNEY NSW 2001
AUSTRALIA

By email: nppsubmissions@rba.gov.au

Dear Sir/Madam

NEW PAYMENTS PLATFORM FUNCTIONALITY AND ACCESS: CONSULTATION

We support the New Payment Platform (NPP) but we are concerned that the governance structure is currently skewed toward empowering incumbents, which creates the risk of, and the perception of, anti-competitive behaviour and conflicts of interest.

We acknowledge and welcome that the NPPA's constitution declares an objective to 'operate the NPP in a manner that promotes the public interest'. However, it goes on to refer to the NPP '... as mutually owned utility infrastructure'. It is vital that the NPP functions as essential infrastructure of the Australian economy, rather than as a proprietary utility, controlled by the Direct Participants. That model risks the NPP becoming an uncompetitive de facto private monopoly for the processing of financial transactions, in conflict with established policy on open banking, and the principles of open competition that underpin the consumer data right. The Banking Royal Commission has clearly demonstrated the risks of inadequate governance and regulation in the finance sector.

It is therefore essential that the processes of approval and admission of NPP Participants, setting of access fees, and the technical assessment of proposed Overlays be managed independently of Direct Participants, who may have perceived or actual conflicts with admission of new entrants and/or introduction of disruptive technologies.

We support recommendation 17.7 of the Productivity Commission¹ (p.49) that access should therefore be administered by the Payments System Board (PSB) of the Reserve Bank of Australia (RBA), and should be open to providers who hold an Exchange Settlement Account, without the requirement to be an authorised deposit-taking institution.

It is also vital that there is no opportunity for price gouging by aggregators. This may require controls on cascading transaction fees between Participants, a ban on passing-on transaction fees to consumers or small businesses, and through the RBA operating a full service open-access aggregator service on a purely cost recovery basis.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Jill Lawrence on 02 6121 5312 or at jill.lawrence@asbfeo.gov.au.

Yours sincerely

Kate Carnell AO

Australian Small Business and Family Enterprise Ombudsman

¹ Productivity Commission Inquiry Report No. 89, 29 June 2018 'Competition in the Australian Financial System'