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To whom it may concern

### **RBA Consultation - New Payments Platform Functionality and Access**

National Australia Bank (NAB) welcomes the opportunity to respond to the consultation by the Reserve Bank of Australia (RBA) on the functionality of, and access to, the New Payments Platform (NPP). NAB is proud of the leading role that it has played to date in the roll-out of the NPP. NAB's consumer and business customers are able to make and receive fast payments and create a range of PayIDs. NAB remains committed to continuing the development of the NPP.

In an increasingly digital world, and with customers' evolving demand for immediacy and frictionless user experience, businesses will continue to innovate to service their customers more efficiently. NAB supports this pursuit and expects competitive pressures will see the NPP participants increasing and subscribing to additional overlay services over time, building on the foundational work already delivered.

#### **Access**

The RBA seeks industry views on issues relating to the access arrangements for the NPP; in particular whether the various ways of accessing the NPP, and their associated technical and other eligibility requirements, are adequate for different business models, or whether other forms of access or eligibility requirements may be justified.

NAB is supportive of the existing access regime for the NPP, as it allows different levels of participation and provides access to the NPP for authorised deposit-taking institutions (ADIs) as well as non-ADIs.

NAB believes that the existing access options, available to businesses wishing to access the NPP services, are adequate for different business models. The NPP has been developed to allow entities to develop innovative customer services without requiring direct access to the NPP infrastructure, avoiding the need to build NPP payment gateway capabilities. To ensure a broad reach of the NPP, aggregators and service providers have built NPP solutions for indirect connectivity which enables smaller entities and FinTechs to use the NPP without direct connection

and to achieve the same service levels as directly connected participants. As a result, the current access regime does not require a participant to be an ADI in order to deliver services that take advantage of the NPP functionality and features and hence does not, in NAB's view, create a barrier to entry.

Entities that opt for direct access to the NPP infrastructure contribute financially because of the benefit they receive from direct access for clearing or settlement.

In its consultation paper, the RBA refers to recommendation 17.7 of the Productivity Commission's recent report into Competition in the Australian Financial System that the NPP should be subject to an access regime imposed by the Payments System Board (PSB) to allow widespread access to both financial system providers and consumers.<sup>1</sup> NAB notes that the NPP already has an access regime, and that current access regime does not require the participant to be an ADI in order to connect to the NPP capabilities as outlined above.

Given the NPP was launched in February 2018, NAB believes it is too early to be able to determine whether there is any failure of the current access regime that warrants any changes.

## Functionality

NAB supports and is committed to the development of further functionalities for the NPP as they will further facilitate switching and deliver strong competitive benefits.

NAB notes that the industry is already working on additional functionality for the NPP, to be deployed in the near future, that will be delivered either through NPP Australia Limited (NPPA) or planned overlay services:

- Industry capabilities for Osko Payment with Document (service 2), Osko Request (service 3) and Consent Management Service (supporting alternatives to Direct Debit).
- API capability will also support the extension of NPP functionality to FinTechs and other service providers to innovate and leverage off the NPP services without being required to be a participant. NPPA has recently released new API standards that enable a wide range of entities to develop innovative payments experiences using NPP capabilities.<sup>2</sup> SWIFT and NPPA have also announced an NPP API sandbox that will help third parties build and test NPP-based applications in an independent environment.<sup>3</sup> NAB sees API capability as an area of increased innovation, and is actively developing its own API offering for access to the NPP.

NPP reach and adoption will further improve with additional NPP participants, both direct and indirect, going live in the future.

Further, payments to PayID in place of account and BSB numbers is anticipated to rise as customers become more familiar with this service. This will in particular further facilitate switching. In this context, NAB notes that the PayID has been developed to be portable between entities, and believes portability of PayID will be an important factor to enhance competition.

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<sup>1</sup> Productivity Commission (2018), 'Competition in the Australian Financial System', p514

<sup>2</sup> <https://www.nppa.com.au/wp-content/uploads/2018/09/New-Payments-Platform-API-Framework-Media-Release.pdf>

<sup>3</sup> <https://www.nppa.com.au/wp-content/uploads/2018/10/SWIFT-and-NPP-launch-sandbox-for-testing-APIs-Media-Release.pdf>

The additional NPP functionalities will complement the industry's work to implement the new open banking regime which will lead to greater transparency, allowing customers to better understand their own situation and what products and services may suit their needs.

In October 2018 NAB and other banks demonstrated (using test environments) the capability to use NPP to deliver the final leg of a cross-border payment. This use of the NPP has potential to enable substantial benefits to the customer experience for receiving cross-border payments, especially with regard to extending cut-off times for same day payment. NAB looks forward to continuing to innovate on NPP, in collaboration with others.

NAB would be pleased to discuss any of the above matters with the RBA further.

Yours sincerely,

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