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To:
Dr John Veale
Head of Payments Policy
Reserve Bank of Australia
65 Martin Place
Sydney NSW 2000

<p><i>Our Reference: rba/0001</i> <i>Your Reference: 2007/2008 Review</i> <i>Date: June 4, 2007</i></p>

Subject: REVIEW OF PAYMENT SYSTEMS REFORM

As an Australian based developer of Financial Management Systems for Australian SME enterprises, the following comments are offered for your consideration.

1. We believe that reduced “fees” are a direct result of Australia and the RBA adopting “World Best Practice”. To date the reforms, from our industry perspective, have not produced any significant changes in meeting World best practice, and hence Australian SMEs’ has not seen any real change.
2. The high cost of payment processing to Australian SMEs’, directly contributes to increased consumer prices, and the resulting “uneven” playing field reduces the ability of an SME to compete within a global economy. Unlike large Corporate companies, within say the high value mining industry, the Australian SME is unable absorb these costs.
3. The Australian “Payments System” is a long way from best practice, the following illustrates some the issues which drive costs and what best practice approaches should be considered within your review process.
4. Small Business Payments
Current Status: Interfaces for all non-EFTPOS payments are proprietary via a third party gateway¹, EFTPOS is via Australia specific standard AS 2805, which is outdated and forces additional costs over International Standard Interfaces in use by other countries.
Effects of priority interfaces on fees and charges
Australian micro and small business are often locked out of the payments system, due to the need to use a limited range of proprietary gateways (with resulting excessive fees by International benchmarks) to access the banks payment system.

Recently Australian micro and small business have, in response to the current payment system limitation, been forced to use the foreign PayPal system; as it does not have the antiquated and propriety interfaces offered by all current Australian Gateway providers. This non-proprietary interface allows a small business to access from a global market e-commerce applications such as online stores, eBay etc.

Attributes of the Pay Pal system which we believe meets World best Practice are

- Simple merchant account processing (only need an Australian Bank Account),
- Modern Interface Specifications, which use best practice Web Service Standards, available online <https://www.sandbox.paypal.com/wsdl/PayPalSvc.wsdl> . The use of Industry standards support development of lower costs applications, and facilitate fully integrated financial solutions.

Note: No Australian payment gateway provider supports an Industry Standard Web Service Interface.

- Inclusion of Industry standard One Time Password security token with service.

The downside of using a Foreign Service provider is that a) there is really no real local presence; b) all transactions effectively go through US currency (not useful for Australians).

¹ Some banks provide their own “internal ” proprietary gateway service

We believe that if the Australian payments system moved closer to World Best practice, then Australian micro and small business, and consumers would be able to take advantage of more cost effective local service providers.

Payments is more than just credits/debits

We believe the focus on interchange fees, has missed the point of what makes a competitive and cost effective payments system.

The typical applications which we are involved within for Australian Small Business sand SMSF Superannuation typically require the following interface services:

1. Banking
 - a. Consumer and Business Banking
 - b. Credit Card Data
 - c. Transactions and Balances
 - d. Statement Closing Information
 - e. IntraBank Funds Transfer
 - f. Interbank Funds Transfer
 - g. Data Synchronization for Banking
2. Bill Payment
 - a. Payee Identifiers
 - b. Payment Message Sets
 - c. Recurring Payments
3. Bill Presentment
 - a. Payer Identifiers
 - b. Bill Message Sets
 - c. Bill Delivery
4. Investment
 - a. Bank & Investment Transactions
 - b. Money Market Funds
 - c. Superannuation Funds
 - d. Data Synchronization for Investment

Recommended considerations:

1. We recommend that the RBA consider focusing its review on removing costs caused directly by lack of “real” competition within the Australian Payments System; caused primarily by proprietary and antiquated services interfaces which preclude real competition.
2. The RBA needs to consider the “Payments System” requirements² as a whole, and ensure that the elements of the system within its jurisdiction are nothing less than World Best Practice.
3. Require APCA, to show cause why International Standards are not in use within the Australian Payments system, this is not just a bank interchange issue, but all aspects of the “Payments System” as identified above.
4. Specifically why the following are not in use:
 - a. ISO 8583 Standard for Financial Transaction Card Originated Messages, for bank<->payment systems interface.
 - b. Open Financial Exchange (OFX) for bank<->customer systems interface.
5. The objective should be an open, technology neutral payments system, based upon non-proprietary International standards; which allows all Australians to access a best practice payment service at best practice fees/charges.

Sincerely,

Charles Moore
Managing Director.
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² The service requirements identified within this document should be considered as a minimum set.