



Australian
Payments Council

AUSTRALIAN PAYMENTS PLAN

DECEMBER 2015



CONTENTS

1 AUSTRALIAN PAYMENTS, THE NEXT 10 YEARS	2
2 NAVIGATING CHANGE	4
3 PAYMENTS COUNCIL INITIATIVES	8
4 THE WAY FORWARD	12

\$17^b

Spent on **online retail** and e-commerce in the 2015 financial year

80%

Increase

in Direct entry transactions over the last 10 years



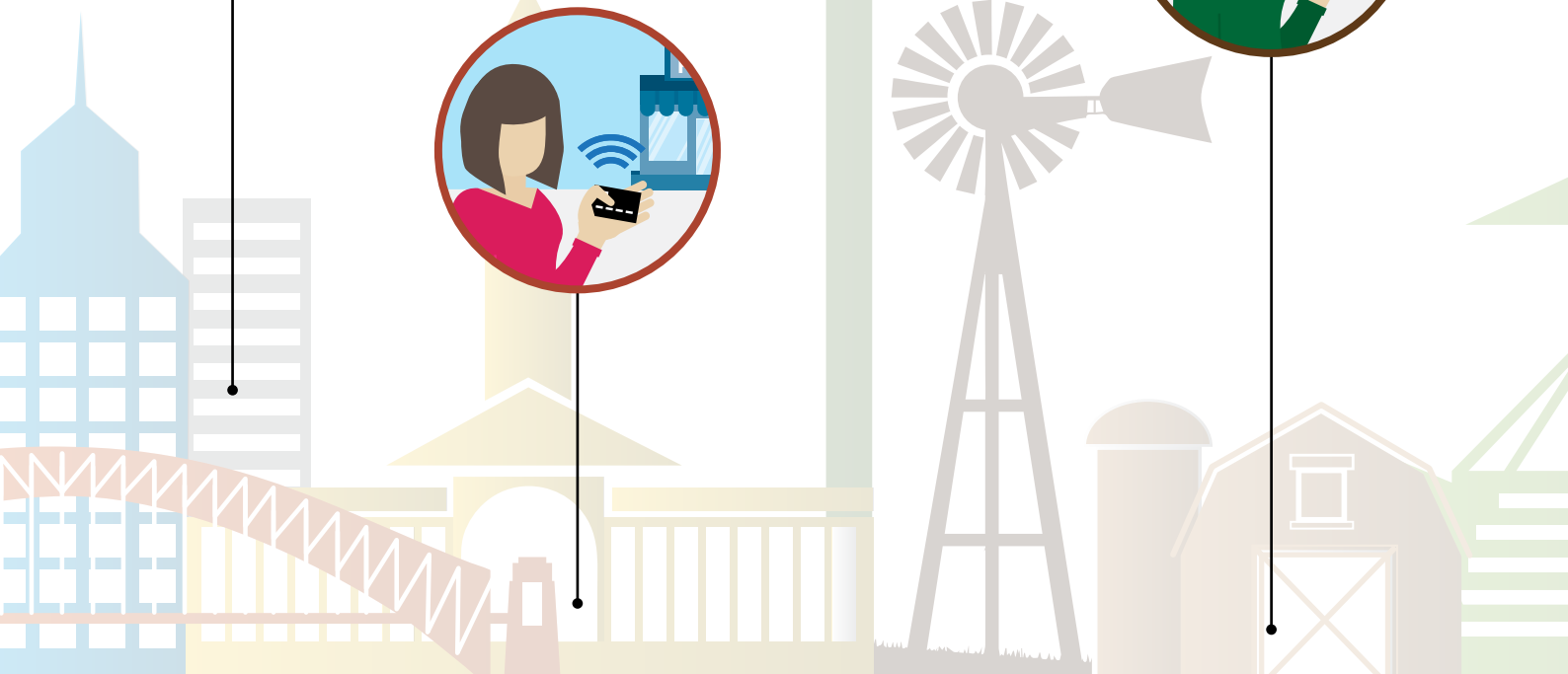
74%

of Australian adults have a **smartphone**



63%

Of Australians have made **Contactless** purchases



“The Australian payments system is the lifeblood of our economy. It touches everyone, every day: individuals, community bodies, businesses and government.

We are undergoing a period of rapid change and the payments system is performing very well, adapting to our more digital, connected world. We must ensure that it is dynamic and that it maintains the desirable characteristics of resilience, efficiency, accessibility and adaptability. Australians must have access to convenient and secure payment services in the digital environment. Industry can work collaboratively to deliver this outcome.

Through this Plan, the Australian Payments Council seeks to provide strategic direction to ensure that as the future unfolds, the Australian payments system continues to meet the needs of the economy.”

MARK BIRRELL

Chairman,
Australian Payments Council

5%
Drop in **ATM withdrawals**
over a year



74%
Decline in
Cheque use between
2002 and 2015

35%

Of Australians have used
mobile phones to do their
banking



1 Australian Payments, the Next 10 Years

The world that we live in is changing rapidly. Advances in technology are reshaping all areas of our lives, from the way we learn, to the way we shop and the way we interact with government.

The pace of change
will continue to accelerate

With smartphone penetration in Australia at 74%¹ and a marked rise in adults² who have neither a fixed-line telephone nor fixed internet connection, it seems certain that the pace of change will only continue to accelerate.

Against this backdrop of rapid change, the Australian Payments Council was established in late 2014 by the payments community, with the support of Reserve Bank of Australia, to provide strategic direction for the Australian payments system to ensure it continues to meet the future needs of the economy. The Payments Council's approach to providing this direction is based on ensuring that the payments system continues to meet the industry agreed desirable characteristics.

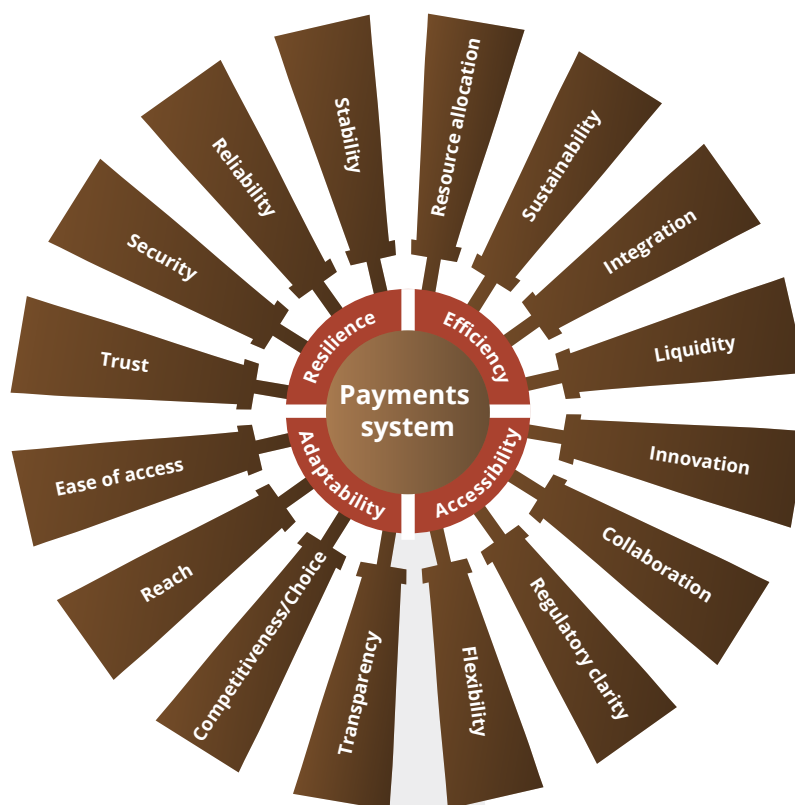
Following extensive consultation, with a wide range of stakeholders³, the Payments Council has concluded that industry is responding well to the changing requirements of the economy. By global standards, the Australian payments system can be considered among the best. A significant set of industry initiatives is already underway⁴ with the expressed purpose of improving the payments system. These initiatives, of which the New Payments Platform is a recent example, are continuing to make digital payments more accessible, convenient and secure.

¹ ACMA, Australian's embrace a digital life, page 9, March 2015.

² Australian's Get Mobile, ACMA, June 2015.

³ A complete list of consulted organisations is detailed in Appendix 3.

⁴ A complete list of current initiatives is available in Appendix 1.



The Payments Council has identified three areas, not currently covered by existing initiatives that require further exploration. These areas, intended to complement and build on ongoing industry work, are:

- understanding the opportunities presented by digital identity management and cybersecurity, for enhanced security and trust;
- managing Australia's payment mix, as we become more digital in our payment habits; and
- enabling the next wave of technology innovation.

The Australian Payments Plan captures the views expressed by stakeholders in the consultation and provides a roadmap for industry collaboration to address these three areas as the payments system evolves over the next 10 years.

The Plan was produced in **consultation** with individuals and some 70 organisations

⁵ A full description of each characteristic is detailed in Appendix 2.

2 Navigating Change

The next 10 years will see profound changes to all aspects of the economy, as three interdependent trends mature – the extent to which everyone is connected, the opening up of networks, and the layering of rich services on these open and interconnected networks.

The outcome of the payments system evolution will be **greater choice for all users**

Many areas of our lives – from our interactions with large organisations and virtual communities, to the way we shop for individual goods – will evolve to become networked. And in turn, this more connected environment will bring greater levels of integration and automation.

These changes in the economy impact the payments system in two ways.

It must evolve to support the new requirements and business models of a more networked economy. In real terms, this will require the payments community to focus on delivering greater connectivity to support competition among service providers. The outcome of this will be greater choice for all users of the payments system.

It is subject to the same transformative market forces that all networks are subject to. Consequently, we will see the closer integration of payments with other networks. The outcome of this will be greater levels of automation and personalisation, as well as new forms of risk that must be managed.

The impact of these trends is already evident. Tighter supply chain integration, more traditionally associated with B2B markets is increasingly evident in consumer customer journeys. For example, one manufacturer of solar panels⁶ has combined supply, finance, installation and service into one seamless experience. The corresponding shift in B2B payments sees accounting software creating new value, with the automation of associated business functions, such as financial reporting⁷.

⁶ Harvard Business Review. *Competing on Customer Journeys*.

⁷ Software Advice. *Accounting Software Buyer View 2015*.

“We’re living in what I call a hyper connected world, a complex and interrelated global network of economic, social, political and individual interests”

THOMAS M. KOULOPOULOS⁸

There’s also collaboration between independent and not inherently linked networks, such as music and travel, with Spotify and Uber⁹ partnering to deliver a more personalised cab journey. And there are early signs of automated item level networking in the Amazon Dash Replenishment Service¹⁰ (DRS); one example triggers the automatic replacement of a filter for a water pitcher, by executing a few lines of code.

As the connected future unfolds and matures, the Payments Council will provide strategic direction to the payments community to ensure the payments system continues to meet the evolving needs of the economy. To help frame the evolution of the next 10 years, the Payments Council anticipates that the way we pay will develop through three overlapping stages, as payments become more digital, integrated and embedded.

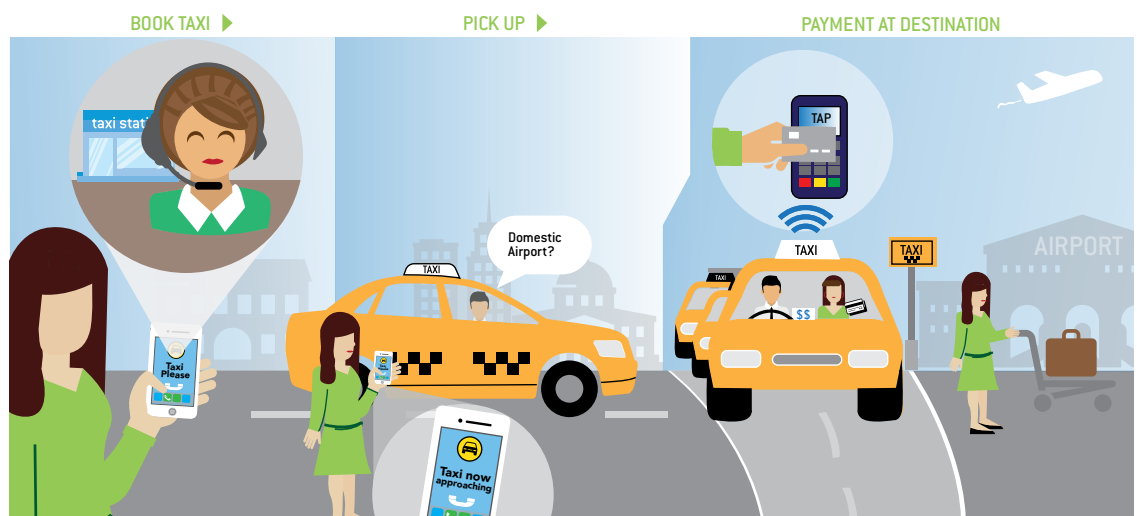
Digital Payments

Sustained e-commerce growth and the rise in direct entry and card payments show clearly that digital payments are already part of our everyday life.

The need for online payments has seen the successful development of competitive new products such as PayPal, as well as the transformation of domestic and international card products for use in the online space. But the lack of inherent network security in the internet has meant that fraud and cybersecurity risks have risen alongside the success story of online payments¹¹. Consequently, cybersecurity and the secure management of digital identity have emerged as significant issues for both government and the payments industry alike¹². The payments community must continue to work collaboratively to reduce risks and to effectively comply with regulations¹³ as digital payments become commonplace.

The payments community is actively engaged in initiatives to address immediate fraud challenges¹⁴. Additionally, the groundwork must be laid to provide robust structures for the significantly more interconnected future. Issues of identity, cybersecurity and privacy will be pivotal to the emerging world of automated transactions embedded in the Internet of Things¹⁵.

DIGITAL PAYMENTS



Ms Smith books a taxi to the airport by phone and gets a call on the taxi’s approach. She pays by contactless card at the end of the journey.

8 Thomas M. Koulopoulos. Cloud Surfing. A New Way to Think About Risk, Innovation, Scale and Success.
9 Business Insider Australia. Uber partners with Spotify.
10 Amazon Dash Replenishment Service.
11 Australian Payments Fraud, APCA.

12 FSI Final Report.
13 Attorney-General’s Report on Identity Crime in Australia; APCA Fraud Report.
14 Current Payment Industry Initiatives Appendix 1.
15 For further information see “Fact Base”.

2 Navigating Change

Integrated Payments

Australians spend more time on their smartphones than any other digital device¹⁶. It's this dominance of smartphones, coupled with a preference for mobile apps, that is driving the closer integration of payments in the customer journey. Apps like Uber and Beat The Queue¹⁷ are good examples of integrated payments; designed for mobile, they deliver a seamless purchase experience. The payment process for both the customer and the taxi driver or coffee shop owner, is no longer a distinct step in the interaction.

This focus on delivering a seamless mobile experience has stimulated innovation in payments. Collaboration between banks, payment schemes, mobile handset manufacturers, retailers and technology providers on a global and national scale has seen the emergence of more convenient, streamlined ways to pay. This is true for online payments as well as in-store.

As this changing payments landscape evolves, it has the potential to deliver greater choice to all users of the payments system. It also has the potential to deliver new models for risk management; for example, mobile wallet providers will have the option of choosing between card-based "pull" transactions and account-based "request to pay" push transactions.

In response to the increased dominance of mobile, the payments community is engaged in initiatives designed to ensure consistent security and usability across mobile wallets. It is also engaged in initiatives designed to ensure competitive and equitable access to the payments system.

And as the payments mix becomes more digital, in addition to ensuring the conditions remain favourable for innovation, the Payments Council will guide industry through a careful process of considering how less efficient, costly payment methods can be replaced by appropriate digital alternatives.

INTEGRATED PAYMENTS



Ms Smith uses her smartphone to book her ride to the airport using the app provided by an independent ride service. The app provides her with real-time tracking of the car's approach and driver details. Her app automatically makes payment at the end of the journey using her pre-selected payment choice.

16 CMO. Mobile app time dominates Australian smartphone usage.

17 Beat The Queue.

The payments community
will work closely together
to deliver the future

EMBEDDED PAYMENTS



The concierge app on Ms Smith's smartphone automatically syncs with her diary and identifies an upcoming trip. The app books her ride to the airport, arranges collection of pre-ordered shopping, selects personalised music for the ride and checks her in to the flight. Once in the car, her identity is biometrically authenticated. Using her cloud passport details, the app also prefills and forwards customs and immigration forms to the airport authorities. The concierge app manages the payment at each step of the journey.

Embedded Payments

The third phase of payments evolution will be characterised by embedded payments that are intrinsically linked to other events in the network, enabled by the combination of multiple sets of data. For example, retail transactions like Amazon Dash will be commonplace and the instance of ordering a new component for a home appliance will be accompanied by a payment instruction. The selection of which payment product is used will be governed by a complex set of decisions made around the availability of funds, the price of in-stock components, the quality of reviews and the speed of delivery. These decisions will be executed as code, alongside the ordering process, with appropriate levels of identity and verification.

As the infrastructure evolves to support this significantly more integrated and competitive environment, there may be new ways of storing the transaction information in its entirety.

From today's position, it's possible to imagine that some elements of this future world, characterised by automated, embedded transactions, might be better managed by new records of account, such as shared ledgers and blockchain-like technology. However, it is by no means clear at this stage that this emerging model will bring wide benefit to all areas of the payments system.

What is clear is that, as payments move from transactions to contextual interactions, industry will need to work closely to manage the balance between competition and collaboration, to effectively serve the economy and to ensure the evolution of a payments network that continues to meet the industry agreed desirable characteristics.

With this goal in mind, the Payments Council will provide a pivotal role in helping all payments stakeholders monitor and interpret developments in technology to enable the next wave of innovation.

3 Payments Council Initiatives

The Payments Council has identified three areas of the payments system that require collaborative action, based on recurrent themes that arose during the consultation process: security and trust, managing Australia's payments mix and enabling the future.

Themes

- **Security** and **trust**
- Managing the **payments mix**
- **Enabling** the future

This section highlights these key themes and lays out an approach for addressing these areas.

The Payments Council notes that there are industry initiatives already successfully underway in these three areas and it will maintain a watching brief of this work. Details of these initiatives are provided in Appendix 1.

Consultation Themes

The Payments Council undertook in-depth consultation with stakeholders in mid-2015 by holding three industry forums, nine one-on-one consultations, and received 20 written submissions. A detailed summary of stakeholder feedback is available in Appendix 3. An overview of the three high level themes that emerged from the consultation process follows.

Theme: Security and Trust

As the volume of online transactions rises¹⁸ and payments effectively digitise, there is an increasing opportunity for fraud to occur in this space. Industry is well advanced in its collaboration on the development and implementation of effective measures to address this fraud. The Payments Council is satisfied that there is good progress in collaborative work already being undertaken in this area and will continue to monitor progress and developments in fraud prevention and security enhancement (see Appendix 1).

“The Payments Council is well placed to represent the interests of the payments industry and offer relevant expertise”

National dialogue about cybersecurity must include consideration of the payments system

In parallel, with a clear idea of the unfolding interconnected future, the Payment Council believes that industry should also consider how it might work collaboratively to deliver infrastructure capable of supporting secure digital identity management and privacy respecting data management.

Consideration of digital identity management will require cross industry collaboration and will necessarily involve consultation with public sector as well as other stakeholders as principles for identity management are first understood then shaped.

The same principles apply to the issue of cybersecurity. The payments industry must ensure that national dialogue about cybersecurity includes consideration of the payments system. The Payments Council is well placed to represent the interests of the payments industry and offer relevant expertise.

Theme: Managing Australia's Payments Mix

As Australia's payments mix becomes increasingly digital, it is anticipated that the use of cheques and cash will continue to decline. Managing the decline of these paper-based payments instruments ensures “Efficiency” however the Payments Council also recognises that “Accessibility” is an equally important aspect of the payments system. Accordingly, collaboration and industry consultation will be required to ensure that this evolution is sensitive to customer choice.

There are other innovations already in development across the payments system (such as the New Payments Platform) that the Payments Council views as positive initiatives that underpin the evolution of the payments mix (see Appendix 1).

Theme: Enabling the future

It will be important for industry decision-makers to understand the potential positive and negative impacts of emerging digital disruption on Australia's payments system assessed against the desirable characteristics.

While the specifics of the future are currently unclear, to support the next wave of technology innovation the industry will need a clear understanding of:

- what the emerging technologies are
- what the emerging business models are
- which aspects of the emerging future will require a collaborative response

3 Payments Council Initiatives

Payments Council Work Agenda

The Payments Council is the collective voice of the payments system and as such is best placed to drive the development of key initiatives that will benefit Australia's payments systems in the future. The Payments Council undertakes to oversee the following new initiatives that will serve to enhance the standing of Australia's payment system in accordance with the desirable characteristics. These initiatives, which will commence in 2016, will be most efficiently addressed through industry collaboration.



Principles for Digital Identity and Data Management

Cybersecurity Strategies

SECURITY AND TRUST

Payments Council Initiative	Description
Develop Principles for Digital Identity and Data Management and work with the Government in the development of a national digital identity framework	<p>The Payments Council proposes that a robust and effective Digital Identity framework is essential to the future success of the payments system. Ensuring that data is managed responsibly will form an important part of this framework.</p> <p>The Payments Council will provide industry leadership on digital identity and data management, pertaining to payments. The Council will ensure that any Australian model developed by government is technologically neutral and reflects world standards.</p> <p>This initiative will see the Payments Council take an active role in the development of a national identity framework that builds on the industry's expertise and innovation in the payments system.</p> <p>The Payments Council will:</p> <ul style="list-style-type: none"> • develop high-level principles covering a range of issues including ethical issues on identity, data ownership, control, value and usage, as well as managing the trade-offs between security and convenience; • engage with the Digital Transformation Office (DTO) which has been tasked by the federal government to develop a digital identity framework for Australia and will represent the interests of the payments industry; and • develop standards for the way digital identity data is treated, stored and disseminated, within the context of payments.
Lead work on Cybersecurity Strategies	<p>The Payments Council has identified robust cybersecurity as an important asset for the payments community. The Payments Council will advocate for a national collaborative approach to ensure a consistent and robust approach to combatting cyber-fraud.</p> <p>This initiative will see the Payments Council draw on industry expertise in combatting fraud and engage with the government to promote a national approach.</p> <p>The Payments Council will:</p> <ul style="list-style-type: none"> • represent the payments industry in discussions with the federal government following the recommendations made in the Financial System Inquiry. The FSI called for the development of formal mechanisms for public-private sector information sharing and clarifying public and private sector roles in ensuring cybersecurity. Both recommendations have been accepted by the government; and • contribute the payments industry's extensive expertise in addressing cybersecurity issues to the national approach. <p>The Payments Council is currently undertaking consultation with the payments industry to identify areas where further work in cybersecurity for the payments system may be required.</p>



The Transition Away from Cheques

Industry Strategy for a "Less Cash" Society

The Efficiency of Existing Payments Systems

MANAGING AUSTRALIA'S PAYMENTS MIX

Payments Council Initiative	Description
Modernise payments: The Transition Away from Cheques	<p>The Payments Council seeks to ensure that the payments system is technologically advanced and provides the best and most efficient payments options. It also has a responsibility to ensure that no user is left without convenient ways to pay.</p> <p>As payment habits and processes become more digital and cheques continue to decline and become harder and more costly to use, there will be a requirement to transition cheques to more efficient and sustainable payment methods.</p> <p>This initiative will deliver a collaborative approach to ensuring more convenient payment choices are made available to all users of the payments system, prior to the identification of an end date for cheques.</p> <p>The Payments Council will:</p> <ul style="list-style-type: none"> • establish a senior working group with representatives from the payments industry, regulators, community and government to discuss the path for the transition; • prepare a roadmap for the transition of cheques; and • monitor, review and report on progress against the roadmap.
Develop Industry Strategy for a 'Less Cash' Society	<p>A report by APCA on the future of cash predicted that there would be a steep decline in the use of cash for making payments, though cash would remain an essential fall-back payment instrument for the foreseeable future.</p> <p>The Payments Council seeks to ensure that the decline of cash is managed efficiently and that alternative payment methods are supported and encouraged.</p> <p>The Payments Council will:</p> <ul style="list-style-type: none"> • develop a strategic industry policy on cash that manages the further decline of cash while encouraging use of more efficient alternatives; and • where applicable, facilitate the implementation of any resulting projects.
Review the Future of Existing Payment Systems	<p>The Payments Council has an important role in monitoring developments in the current payments system and offering a collaborative solution to issues not addressed by market forces.</p> <p>This initiative will ensure that any inefficiency in the payments system can be quickly addressed.</p> <p>The Payments Council will:</p> <ul style="list-style-type: none"> • deliver a strategic assessment to identify any capability deficits or enhancement opportunities in existing payment systems that could potentially advance Australia's future standing against the desirable characteristics. This will require wide industry engagement; and • assess the corresponding governance structures pertaining to the payment systems.



Enabling Technology Innovation

ENABLING THE FUTURE

Enable Technology Innovation	<p>The Payments Council occupies a unique position in terms of its ability to assess developments in payments that will benefit the community and to promote an environment where innovation can flourish.</p> <p>In order to ensure that the payments system continues to reflect the desirable characteristics as new technologies become available, the Payments Council will conduct a quarterly assessment of digital disruption.</p> <p>This initiative will ensure that the payments community is at the leading edge of developments and well placed to anticipate and act on new opportunities as they emerge.</p> <p>The assessment will:</p> <ul style="list-style-type: none"> • research, review and report on recent and emerging developments impacting payment systems; • provide an assessment of their likely impacts in Australia; and • make recommendations for areas that require further strategic consideration.
-------------------------------------	---

4 The Way Forward

The Payments Council will be responsible for delivering the Plan. In doing so, the Payments Council will operate under the principles of transparency and open engagement, as detailed below.

The Payments Council will undertake a triennial review of the whole Plan to ensure it remains **fit for purpose**

Reporting

The Payments Council will publish an Annual Report that details the status of the Plan and the progress made in the year of review. The Annual Report will, among other things, provide information on:

- the delivery of and progress made on the Payments Council initiatives
- emerging issues and opportunities, and consider how these may impact the desirable characteristics

In addition to Annual Reports, the Payments Council may release updates on key milestones and developments where it is considered timely and relevant.

Renewal of the Plan

The Payments Council will undertake a triennial review of the whole Plan to ensure it remains fit for purpose. This review will include broad consultation with the Industry.

Roles

The Payments Council is responsible for coordinating the strategic direction of the Plan, is responsible for its delivery. The Payments Council cannot deliver a collaborative industry plan alone and it will rely upon the contributions and input from a wide range of industry stakeholders. APCA will provide the Payments Council with critical support and resources to deliver aspects of the Plan.

The Payments Council would like to extend its gratitude to all of those industry stakeholders and individuals who took part in the consultation. The consultation process provided in-depth feedback, and provided a clear view of what is important to all users of the payments system. Thank you.

Summary of Payments Council Initiatives



SECURITY AND TRUST

Principles for Digital
Identity and Data
Management

Cybersecurity
Strategies



MANAGING AUSTRALIA'S PAYMENTS MIX

The Transition Away
from Cheques

Industry Strategy for
a "Less Cash" Society

The Efficiency of
Existing Payments
Systems



ENABLING THE FUTURE

Enabling Technology
Innovation

Summary of Payments Initiatives Already Underway



SECURITY AND TRUST

Strategy for
Addressing
Card-Not-
Present Fraud

Australian
Financial Crimes
Exchange

Fraud in
Banking Forum

EMV at ATMs



MANAGING AUSTRALIA'S PAYMENTS MIX

New Payments
Platform

Issuers and Acquirers
Community



ENABLING THE FUTURE

Process for Considering
Non-Standard
Technologies

Digital Wallet
Technical Security
Standards

Industry Code for
Third Party Access

CONTACT

LEVEL 6, 14 MARTIN PLACE SYDNEY NSW 2000
TELEPHONE +61 2 9216 4888
EMAIL INFO@AUSTRALIANPAYMENTSCOUNCIL.COM.AU

