



Australian  
Payments Council

# Annual Review 2016



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Australian Payments Council meets the Payments System Board at RBA headquarters, August 2016.

# Message from the Chairman

“This year has seen the Australian Payments Council move firmly into delivery mode and I’d like to take this opportunity to thank all our stakeholders for their continued commitment to improving Australia’s payments system.” **Mark Birrell**



**Mark Birrell**  
Chairman, Australian  
Payments Council

Developing the Australian Payments Plan was an important first milestone for the Council and for the future of the payments industry as a whole. I’m pleased to be able to report that almost a year on from publication, its strategic direction has been effective in providing the desirable mid-term focus for our collaborative work.

In a year that might reasonably be categorised as one of change – with significant effort channelled into establishing Australia’s New Payments Platform and the government’s wide reaching inquiry into data availability and use – the Council has remained focused on continuously improving the payments system. Importantly, we have made progress in a number of key areas, thanks to the commitment of the payments community, as well our wider set of stakeholders from government and the private sector.

In this, our first annual review, we are pleased to share the output of our collaborative work. We have developed fresh insights into the payment preferences of businesses and consumers; this research will form an important part of our work

next year on achieving efficiency gains. We also made significant progress on securing the payments system of the future, through foundational work on digital identity and cybersecurity. Moreover, our focus on APIs and data is helping to ensure that we are able to meet the demands of an increasingly connected and diverse payments landscape.

This year has seen the Australian Payments Council move firmly into delivery mode and I’d like to take this opportunity to thank Council and Community members for their continued commitment to improving Australia’s payments system. I’d also like to recognise the invaluable support of the Payments System Board and reflect positively on our second annual meeting that took place in August.

I look forward to another year of cooperation and to further progressing our collective goals.

# Highlights



## Publication of the Australian Payments Plan

We published Australia's first payments plan in December 2015. Produced in consultation with over 60 organisations and individuals, the Plan provides strategic direction for the payments community.

## Submission to the Productivity Commission Inquiry into Data Availability and Use

Representatives from across the payments community came together to develop principles for digital identity in February this year. These were shared with the Productivity Commission in our submission to its Inquiry into Data Availability and Use in July 2016.



## Consultation with the Payments System Board

The Council met with the Payments System Board of the Reserve Bank for our second annual meeting on 19th August 2016.



## Access to Data and APIs

We developed principles for data sharing and completed a first step in the consideration of an industry approach to APIs, holding the first industry wide workshop on data sharing in October 2016.

## New Research into Payment Habits

Council members provided detailed information on the payment choices that consumers and businesses make. Analysis of this input from across industry, coupled with new research, delivered important insights into payment preferences across Australia.

## A Growing Community

We were pleased to welcome new members to our expanding community and our newly established online forum has kept our members up to date on project progress.







# Delivering on the Australian Payments Plan

## Consultation with the Payments System Board

The Australian Payments Council provides a forum for the Payments System Board of the Reserve Bank of Australia to consult with industry. The nature of this arrangement is formalised in a Memorandum of Understanding that was established in August 2015.

This direct engagement with the Payments System Board is an important part of the Council's role and the two bodies convened a second annual meeting on 19th August 2016.

Former Governor of the RBA and Chairman of the Payments System Board, Glenn Stevens, acknowledged the important role of the Payments Plan in guiding the strategic development of the payments system. He commended the Council on its work on the Plan and encouraged the Council to be ambitious in its execution.

Payments Council Chairman, Mark Birrell provided a progress report on the industry's collaborative action. He underlined the Council's commitment to improving the Australian payments system and in particular to delivering a safe, efficient and competitive system. He highlighted how the Council is working alongside public and private sector organisations to assist with this important agenda.

Individual Council members provided detailed insights into specific initiatives that the Council is undertaking.

Importantly Mark Birrell also thanked the outgoing Governor Glenn Stevens for his significant contribution to the payments system and welcomed the incoming Governor Philip Lowe.

## Developing our Work Agenda

With the goal of ensuring that the payments system continues to meet stringent resilience, efficiency, adaptability and accessibility requirements. The Payments Plan identified three areas of work. These formed the basis of our work agenda this year.

**Security and Trust** to identify and promote initiatives that will ensure the continued development of a secure and trusted payments system.

**Managing the Payments Mix** to ensure the evolution of a modern payments system that meets the needs of all users of the system.

**Enabling the Future** to support the technology innovation required to underpin the evolving needs of consumers and business.

Dedicated groups of Council members focused on a specific area and we held a number of meetings and workshops throughout the year to refine these work streams. Many of these workshops involved organisations outside the Payments Council Community, which contributed to their overall success.

The output of these groups has given us a refined scope and specific goals for the coming year.

## Building Community Relationships

During the course of the year the Council hosted a number of workshops and project debrief sessions to encourage the flow of information. An important milestone was reached in May 2016, with the launch of an online community. The site supports faster sharing of information among Council and Community members and enables the committees and working groups to collaborate more easily.

# 2

## Security & Trust

The digital economy has transformed the payments landscape, delivering a more connected environment. But while new technologies and services have grown the volume and value of online payments, fraud and cybersecurity risks have risen quickly alongside.

For this reason, cybersecurity and the secure management of digital identity have emerged as significant issues across government, financial institutions and other private sector organisations. The Council has worked with a range of organisations this year to understand the dominant themes and to progress the development of cross industry approaches to mitigating risk.

### Digital Identity

As a growing number of interactions – for both business and consumers – move online, the requirement for the secure management of online identities intensifies. Importantly, the significance of a digital identity framework was also identified in the Financial Systems Inquiry. Against this background, the Council undertook to consider the potential benefit to industry of a digital identity framework.

From the outset, the Council committed to adopting a principles-based approach and openness to collaboration with Federal Government initiatives.

### *A principles based approach to digital identity*

Principles help to define the parameters of action and help guide behaviour; it is for this reason that the Council's first initiative in this area sought to develop principles for digital identity.

The Council developed 12 principles for digital identity through a series of workshops and consultations involving 30 organisations drawn from both the public and private sectors. These principles have the protection of consumer privacy at their core and were shared with the Productivity Commission in the context of their recent Inquiry into Data Availability and Use.

Following completion of the principles, work began on the development of use cases, to test the principles. One use case stood out as having the potential to deliver benefit to industry and the wider economy, that of shared Know Your Customer (KYC). KYC describes the legislated requirement for a financial services organisation to verify the identity of its customers. The processes involved in collecting and verifying information are costly and time consuming and a framework that enables organisations to share the results of completed KYC checks may deliver efficiencies and may help industry respond more effectively to some types of fraud.

### The 12 Principles of Digital Identity

Details of the principles are available in full on the Council's website. The headline statements require that a cross industry approach to digital identity should:

- |                                       |                                       |
|---------------------------------------|---------------------------------------|
| 1. Promote Privacy                    | 7. Be Convenient                      |
| 2. Give Individuals Choice            | 8. Be Appropriately Secure            |
| 3. Require Transparent Accountability | 9. Ensure Commercials Support Privacy |
| 4. Allow Flexible Disclosure          | 10. Enable Transparent Exchange       |
| 5. Enable Inclusive Access            | 11. Provide Clear Commercial Benefit  |
| 6. Use Open Standards                 | 12. Build on Core Competencies        |

The Council is currently reviewing the regulatory, technical and commercial implications of developing a digital identity framework to support efficiencies in this area. This will form an important part of our work agenda in the coming year.

### *Openness to collaboration with Federal Government*

Members of the Council and have met with the Assistant Minister for Cities and Digital Transformation, Angus Taylor, as well as representatives of the Digital Transformation Agency (DTA) on several occasions. Senior members of the DTA's identity team (as well as representatives from AUSTRAC, Department of Human Services and the Attorney-General's Department) have participated in all Council run workshops on identity.

Council members have discussed the importance of ensuring that work completed on a digital identity framework for private sector purposes is aligned, where possible, with public sector activity. To this end, the Council will continue to actively review DTA progress and to reuse, where possible, government standards and guidelines for digital identity.

## **Cybersecurity Strategy**

The Council undertook an independent study of cybersecurity initiatives leading to recommendations that industry should:

- > Facilitate collaboration through a payments industry working group
- > Build resilience through a rolling program of crisis management exercises
- > Shape the future environment, developing standards and principles for Fintech organisations

The Council is in discussion with existing industry groups, such as the Australian Financial Crimes Exchange (AFCX) to understand potential overlap and gaps. This will form the basis of the payments industry's joint strategy for cybersecurity.

# 3

## Managing the Payments Mix

The Council is committed to ensuring that the payments system is technologically advanced and provides the most efficient payment options to support the Australian economy. Accordingly, as new payments infrastructure emerges, industry must work together to ensure that older infrastructure is managed appropriately.



Australians used  
**16.3%**  
fewer cheques in  
2015 than 2014

By way of illustration, Council members expect that the already steady decline in cheque use will continue. Australians used 16.3% fewer cheques in 2015 than 2014 and the Council expects that this decline will be accelerated by innovations such as the New Payments Platform, which are set to positively underpin the evolution of the payments mix. Alongside managing this decline, the Council is keenly aware of its duty to ensure that the needs of current cheque users are understood and that viable payment options are made available.

To this end, the Council has undertaken both quantitative and qualitative research to identify and understand the payment habits of all Australians. Based on the output of this research, further work is underway to ensure an effective and inclusive transition to digital payment methods that meets the needs of all users of the payments system.

The Council will present its strategy based on this in-depth research and analysis in the first half of 2017.



Design Challenge Workshop, October 2016, see page 9.



# 4 Enabling the Future

To maintain the integrity of the payments system, it is important for industry decision-makers to understand the potential impacts, both positive and negative, of emerging technology and services.

With the goal of promoting an environment where innovation can flourish, the Council held a workshop to identify which areas members might usefully work on together. The workshop, facilitated by PwC, identified three areas of interest; access to data, data management and supporting infrastructure.

As a first step in the process of considering access to data, Council members developed principles for data sharing. These principles are designed to ensure that trust in data sharing arrangements is fostered and maintained.

## Data Sharing Workshop

These principles were used to guide a cross industry workshop into the benefits of data sharing. Payments Council and Community members participated alongside startups in a Design Challenge Workshop during Sydney's Spark Festival in October. The workshop, facilitated by IBM, gave organisations and individuals a chance to discuss the wider benefits of making payments data available.

The output of this workshop will help inform the Council's thinking on the sharing of data through APIs. Within the wider context of the Productivity Commission's Inquiry into Data Availability and Use, the Council is committed to working alongside government to meet the requirement for improved levels of customer control.

## Principles of Data Sharing

### 1. Consumer Privacy

Data providers and data recipients will adhere to the Australian Privacy Principles in order to protect the privacy of individuals when sharing data, notably the following principles:

- > Use or disclosure of personal information
- > Open and transparent management of personal information
- > Security of personal information

### 2. Safe Management

Appropriate technical and organisational measures must be taken to ensure authorised and lawful processing. Data recipient must be appropriately accredited to ensure that personal information will be sufficiently secure.

### 3. Clear Use

Data recipients must clearly indicate their intended use of data and adhere to this.

### 4. Duty of Care

Data providers have a duty of care to the data owner to ensure to the best of their ability that the data recipient is acting in their best interests.

### 5. Lawful Use

The sharing and use of data by both the data provider and recipient must be lawful and restricted to the purpose the data was requested for.

### 6. Storage and Expiry

Data recipients must specify the length of time any data will be retained for. When requested data is no longer required it must be securely expunged by the data recipient.

### 7. Accuracy and Completeness

Data providers must take steps to ensure that information provided to a data recipient is accurate, up-to-date, complete and relevant.

### 8. Accessibility and Usability

Information must be accessible and useable by a data recipient. Data providers must make data available in commonly used formats.

# 5

## Our Community

The Council continues to grow its Community membership across a broad range of organisations from financial institutions, card schemes, major retailers and other payments service providers.

### The Council

In order to ensure the needs of a diverse group of payments stakeholders are reflected in the Council meetings, representation is shared across members, with varying tenures. We would like to acknowledge the following people for their participation on the Council during the last 12 months.

Mark Birrell	Chairman
Simon Babbage	HSBC Bank Australia Limited
Michele Bullock	Reserve Bank of Australia
Nikala Busse	Coles Group Limited
David Carter	Suncorp-Metway Ltd
Alastair Currie	Australia and New Zealand Banking Group Limited
Nigel Dobson	Australia and New Zealand Banking Group Limited
Michael Eidel	Commonwealth Bank of Australia
Leila Fourie	Australian Payments Clearing Association
Eddie Grobler	Mastercard Asia/Pacific (Australia) Pty Ltd
Peter Haig	Tyro Payments Limited

Chris Hamilton	Australian Payments Clearing Association
Sam Itzcovitz	First Data International
Philip Joyce	Westpac Banking Corporation
Dhun Karai	Woolworths Limited
Stephen Karpin	Visa AP (Australia) Pty Ltd
Craig Kennedy	Cuscal Limited
Bruce Mansfield	eftpos Payments Australia Limited
John Murphy	National Australia Bank Limited
John Nesbitt	Suncorp-Metway Ltd
Libby Roy	PayPal Pty Ltd
Rachel Slade	Westpac Banking Corporation
Michael Starkey	National Australia Bank Limited
Richard Wormald	Mastercard Asia/Pacific (Australia) Pty Ltd



## Members

We'd like to thank all our members for their commitment to improving the Australian payments system in 2016.

Accenture Australia Pty Ltd	HSBC Bank Australia Limited
ACI Worldwide	IBM Australia Limited
American Express Australia Limited	Indue Limited
Australia and New Zealand Banking Group Limited	ING Bank Australia Ltd
Australian Payments Clearing Association Limited	J.P. Morgan Chase, N.A Sydney Branch
Australian Postal Corporation	Latitude Financial Services
Australian Settlements Limited	Macquarie Bank Limited
Bank of America National Association	Mastercard Asia/Pacific (Australia) Pty Ltd
Bank of Queensland Limited	National Bank Australia Limited
Bendigo & Adelaide Bank Limited	Optus
Bluechain Pty Ltd	PayPal Pty Ltd
BPAY Pty Ltd	PwC
Citigroup Pty Limited	Quest Payment Systems Pty Ltd
Coles Group Limited	Reserve Bank of Australia
Commonwealth Bank of Australia	Suncorp-Metway Ltd
Cuscal Limited	Swift
eftpos Payments Australia Limited	Tyro Payments Limited
First Data International	Visa AP (Australia) Pty Ltd
	Westpac Banking Corporation
	Woolworths Limited



## A Growing Community

This year we welcomed four new members to the Community:

ACI Worldwide  
Bluechain Pty Ltd  
IBM Australia Ltd  
PwC

If you would like to take part in developing Australia's future payments system, please get in touch. We'd be delighted to welcome you to our growing community.

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