



# The Evolving Payments Landscape

What should Treasurers be thinking about?

1 September 2021

# Introduction

Thank you for taking the time to listen to us speak about the emerging world of payments. Once the unloved cousin of the banking world now clearly front and center.

## Brief overview of the session:

- Who is ASL and who are Mark and Trent?
- What are the emerging themes/trends shaping payments into the future
- Real-time payments – where to next
  - Mandate Management
  - QR
- Consumer Data Right
  - impact to Payments
  - Key themes
  - How important is trust
  - What use cases are emerging
- Digital Currency
  - What's on offer
  - What are Central Banks doing

## Who is ASL and Who are we?

Australian Settlements Limited is a Payments processing company established to support the needs of the Building Societies in the early days, but more recently the Mutual Banking and Neo Banking Sector. Our early focus was on managing the settlement of value for Members for clearing streams and providing partner led services to processing. In 2018 we went live as an NPP Processor and are now building our business around this and other payment and related services.

### Mark Tibbles – CEO ASL

Into my 3<sup>rd</sup> year as the Leader of ASL and helping us to evolve into a payments company as well as a settlements company. I fell into payments in the late 90s and never found my way out.

I have gained experience in several markets, and this has helped me understand the nuances and emerging need to simplify and accelerate payments innovation.



### Trent Gunthorpe – CPO ASL

A Payments Product guy through and through with more than 25 years of experience across the Banking and Financial Services Industry.

Having held Senior Leadership roles, locally and internationally, for GE Capital, American Express, Cuscal and more recently in Venture Capital, Trent is well qualified to lead ASL and our Members towards the next generations of payments Products and services.



# Six (6) macro trends affecting the future of payments



**Inclusion and Trust** - Central banks will maintain their role in ensuring privacy, stability and trust in new providers, payment methods and the financial system



**Digital Currencies** – 60% central banks are exploring digital currencies (inc. RBA). Decentralised finance and private cryptocurrencies overcoming central bank concerns + Fiat-cryptocurrency conversion and storage are emerging opportunities.



**Financial Crime** - As consumers and businesses adopt open banking and instant and alternative payments, organised 'fraud-as-a-service' is growing. Security, compliance and **data-privacy risks** were the top concerns for banks and fintech's.



**Digital Wallets** - Use of mobile payments will continue its meteoric rise. QR code, Open banking and **super-app** proliferation will drive digital wallet adoption. Convenience will drive users and usage to digital wallets as a first point of contact— and away from traditional card and banking interfaces.



**Efficient Rails** - Payment initiation is changing from cards and accounts to digital wallets that are supported by open banking. Both traditional card networks and domestic wallet solutions will be challenged to connect 'open loop' payments with cross-border payments to retain relevance.



**Cross-Border** - Instant, low-cost payments are driving the reinvention of cross-border payments. Global payments standardisation will enable cross-border connectivity of domestic instant solutions. Regional solutions (especially in Asia) and global nonbank solutions based on cryptocurrency and digital wallets will emerge

# Leveraging Real Time Payment Networks



- NPP now operational following launch in 2018
- Now accounting for 12-15% of Account to Account Payments (Direct Entry displacement)
- Focus now on the next generation of services accessible via NPP:
  - Migrating volume from Direct Entry to NPP – ongoing. Industry is considering sunset date of direct entry with likely timeframe 5-6 years from now. Work underway to define a transition plan and details likely early 2022.
  - PayTo – scheduled for mid 2022 - Next generation Direct Debit alternative. Offering a new, digital way for merchants and businesses to initiate real-time payments from their customers' bank accounts.
  - IFTI over NPP – scheduled for 2023
- Other emerging Services from NPP
  - QR - particularly in relation to PayTo - recently enhanced the current NPP QR code standard to cater for loyalty
  - Real-time salary payments
  - Consumer Mandate management services



# Managing customer mandates and payments

- PayTo designed as a Direct Debit replacement.....but so much more.
- Will see a shift from Biller to consumer with respect to control.
- Will eliminate late, unauthorised, mis-directed payments.
- Provides a platform for Innovating the experience:
  - Customer view of mandates on account
  - In-App deduction confirmation etc

PayTo is a new, efficient way for payer customers to pre-authorise real-time payments from bank accounts.



PayTo is the **smart** way to do business with **real-time, reliable** payments that help business run that little bit **smoother**.

- ✓ Receive real-time account validation, fund verification, and notifications at various stages of payment
- ✓ Can be supported by APIs to deliver a more seamless process
- ✓ Receive notifications when a PayTo agreement is paused, changed or cancelled
- ✓ Centralised, secure storage of PayTo agreements which are readily accessible
- ✓ PayTo agreements contain information and data to support easy reconciliation

PayTo's **fast and secure** payments **keep money moving 24/7**.

# QR Codes – are they making an entrance?



- QR codes are now **firmly on the radar** for Australia.
- eftpos currently in pilot with a general market launch planned for later this year
- The Industry has agreed an Interoperable standard:
  - Short QR – for Payment Only
  - Long QR – for additional data such as loyalty, SKU data etc
- Likely to be pushed across 3<sup>rd</sup> Party Wallets - Think BeemIt, Asupay, and likely to grow under the CDR regime
- QR also now the consumer catalyst for cross-border POS purchase using both International Schemes and Domestic Real-time networks.
  - Recently Thailand went live with both Singapore and Indonesia with Real-time QR initiated payments in home currency. Consider in future that we may be able to make purchases whilst travelling linked to Account in real-time without the need of Visa/Mastercard (there will need to be other clearing streams). Similar scenarios exist for online purchases.

# Consumer Data Right – what does it mean for Payments

- Australia's Consumer Data Right is designed to give consumers and business more control over their data, enabling them to access and share their data with accredited third parties to access better services and offers on everyday needs.
- Starting with Banking, we will see further evolution with the Energy sector next.
- But....data will evolve and be an intrinsic part of our lives within Business and as a consumer.
- The industry at present is working through challenges to ensure that consumers not only have comfort with sharing data but can feel safe and protected.
- Key themes that are emerging that will shape use and access of data are:
  - **Design with Security in mind** – to ensure that data in transit is understood, secure and protected. We are likely all familiar with Tokenisation (supporting ApplePay/GooglePay and Private data). This will broaden beyond the current use cases to connected devices (and things under IoT) and virtually anything that needs a payment.
  - **Standards and Open Platform Approach** – a clear and well understood set of guidelines for Data is needed to ensure that the User Experience is consistent. Additionally, a connectable environment (using open architecture) is needed to meet ongoing demand.
  - **Ethics** – Absolutely critical and linked to “trust”. Use of data for purpose of good will generate support of consumers. Failure will destroy credibility.
  - **Privacy and Consent** – The single most important element is Privacy (but not mutually exclusive). Consumers want to see and manage the consents they provide (see PayTo as the 1<sup>st</sup> use case).



# Trust is the key to success



Trust will be built around:

- **Experience** - consistent user experiences across the network (here and abroad)
- **Strong ethics** - how data is used (for good)
- **Choice** – placing power in the consumer hands
- **Security** – no compromise. New expectation of consumers is that you know me....you should know when its not me.

# Open data – emerging use cases

As CDR emerges as an opportunity here, we are seeing new business models evolve.



## Save me time

*Take the hassle out of money-related tasks*

### Examples



## Keep me on track

*Get better visibility & control of my finances, across accounts*



## Make banking more efficient

*Lower barriers to switching products & improve customer experience*



## Reward my spending

*See all my loyalty & rewards in one place*



## Keep my money safe

*Keep an eye on my money & prevent fraud*



## Save me money

*Find opportunities to save me money*



## Make the world a better place

*Help with financial inclusion & streamline charity donations*



Source: Visa

# Digital Currencies

## Crypto-currency

- Non-sovereign digital currency operating on distributed ledger technology
- Bitcoin or Ethereum



## Stable coin

- Non-sovereign, private sector digital currency backed by fiat held by commercial banks
- USDC or Diem (facebook)



## CBDC

- Tokenised fiat currency backed by a central bank
- eCNY or E-Krona



# Central Bank Digital Currencies (CBDCs)

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## WHOLESALE

- Interbank settlements
- Potential cross-border interbank use case



## RETAIL

- Everyday retail transactions
- Potential cross-border use case

# RBA (CB) Digital Currency

- In Late 2020 the RBA partnered with CommBank, NAB, Perpetual and ConsenSys Software on a wholesale CBDC research project.
- The research was focused on exploring the potential use and implications of a wholesale form of central bank digital currency (CBDC) using distributed ledger technology (DLT).
- The project involves the development of a proof-of-concept (POC) for the issuance of a tokenised form of CBDC that can be used by wholesale market participants for the funding, settlement and repayment of a tokenised syndicated loan on an Ethereum-based DLT platform.

The RBA said it was “closely monitoring developments around stablecoins, private digital money linked to the value of a fiat currency”.

“does not consider that a policy case has yet emerged for issuing a CBDC”

July 14, 2021 - AFR

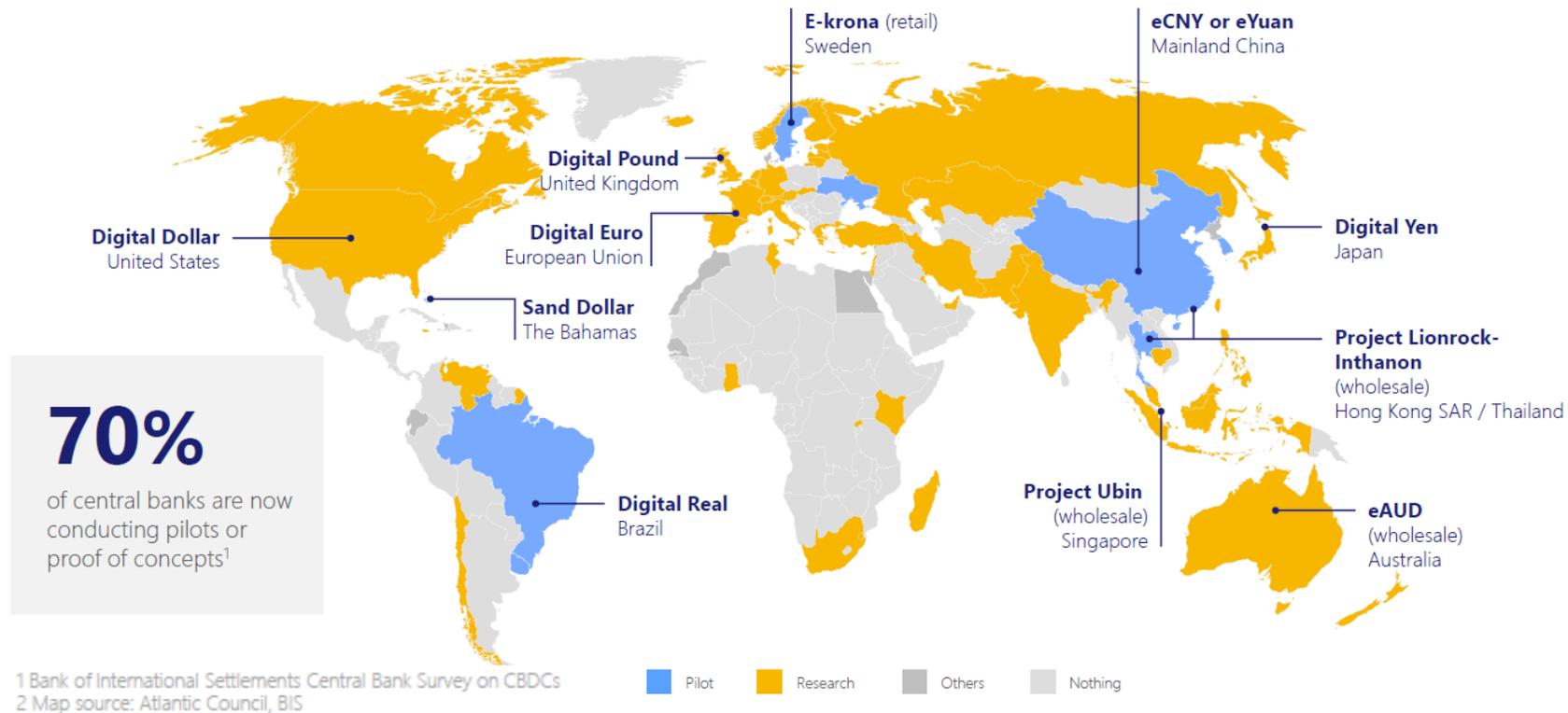
"If a stablecoin is designed to be a safe payment instrument and act as an alternative to other forms of money, then it is important for consumer protection that it is appropriately regulated."

July 6, 2021 – RBA submission to Select Committee on Australia as a Technology and Financial Centre

Outcome currently unknown – but progressing

# Central Bank Digital Currencies

CBDCs are being developed all around the world, with Asia Pacific at the forefront of innovation.



- There will be continued and strong focus in this area:
  - Digital currency will move to main stream for purchases
  - Consumers will seek partners that support use of digital currencies
  - Digital Currency exchanges will evolve and push into trade environment with strong use cases in cross-border trade