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Payments System Review  
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### **Payments System Review**

The Westpac Banking Corporation (**Westpac**) is pleased to provide a submission in response to the Issues Paper released in November 2020 in relation to the Payments System Review (**Review**).

We agree that the regulatory architecture has served Australia well over the past two decades resulting in a competitive, world-class payments system. We also agree that given the pace of technological change, the development of new business models, the emergence of new players and the changes in customer behaviours means that this Review is timely. It is important the Review preserves the strengths of the current system while dealing with the emerging opportunities and challenges. In a similar vein to how government, regulators and industry worked together during COVID to benefit Australians, there is potentially an opportunity to do the same through this payments system Review.

We have worked with AusPayNet and the Australian Banking Association (ABA) on their responses to the Review and we endorse those responses. These responses go into good detail on many points, such as the benefits of competition and innovation, increased contestability and associated complexity of the payments system, the importance of a level playing field within that system, the importance and advantages of the role of self-regulation and the opportunity for greater clarity of the role of all regulatory participants.

Rather than go into detail of the points made by AusPayNet and ABA, we call out the following key issues that we believe should be considered in the Review. They arise from three different aspects, namely government's role in our people's security (financial crime), the question of how the unique issues facing payments system regulation can arise (the competition law aspect) and the importance of clarity of

roles. We do not specify the right answers for these issues but would be happy to discuss further.

Some key issues for the Review:

- The regulatory architecture addressing financial crime (money laundering/terrorism financing, fraud, scams and Economic and Trade Sanctions) should be reviewed with a view to improving the efficacy of current efforts in this area. At a very high level, it seems apparent that there may be benefits in greater centralisation of the detection, investigation and prevention of financial crime.

Compared to today's highly distributed system where the law requires many businesses to carry out customer identification and risk assessment, detection, investigation, transaction monitoring and reporting, more centralised processes (by a trusted party with supporting legislation) may materially strengthen Australia's defence against various types of financial crime that could be detected via the payments system.

In these areas, there is little if any welfare benefit from competition, legal conflicts exist (eg stopping information sharing between competitors, slowing the process and so elongating the period of harm) and inefficiencies and duplication are likely to increase the cost to the economy and weaken Australia's defences against financial crime.

The Review might ask questions such as "who should be making decisions on the efficacy of financial crime prevention?", "who decides what tolerance we have for the various aspects of financial crime in seeking to protect the community and payments system from harm?", and "what international reputational benefits/risks can be enhanced by becoming a leader in financial crime prevention?".

- Competition law application to individual payment systems. The current payments regulatory architecture does not contemplate changes of ownership or governance issues between different payment systems (eg BPAY, eftpos and NPPA). That is, the usual competition law processes for merging the companies in question require ACCC authorisation. Similarly, any decision by AusPayNet to close the cheque system, would likely require ACCC authorisation. RBA has noted some degree of support for both initiatives but has no jurisdiction. However, a question the Review may care to pose is whether the Payments System (Regulation) Act (PSRA) should be expanded to include competition law issues among payment systems.
- Regulation Updated - the PSRA was written post the Wallis Inquiry and (as noted above) reflected a very different payments system to today. This needs to be reviewed and updated to clarify the PSB's role, in particular

regarding the broader payments eco-system as it stands today, but also into the future.

For further Information in relation to any of the matters raised in this submission, please contact Chris Campbell, Head of Regulation and Payments Policy, Global Transaction Services at [REDACTED]

Yours sincerely,

A handwritten signature in black ink, appearing to read "M. Chouefate". The signature is written in a cursive style with a long, sweeping tail on the final letter.

**Michael Chouefate**  
**Group Head of Government and Industry Affairs**