

21 June 2013

Robert Drake,
Senior Executive Leader,
Financial Literacy,
Australian Securities and Investments Commission

Dear Mr Drake

Thank you for the opportunity of contributing to ASIC's review of the Financial Literacy Strategy through the consultation paper entitled 'Shaping a National Financial Literacy Strategy for 2014-16'.

This submission by the Australian Payments Clearing Association (APCA) does not specifically address the discussions questions raised in the consultation paper but rather suggests the important role the payments system can play in promoting financial literacy.

About APCA

APCA is the self-regulatory body set up by the payments industry to improve the safety, reliability, equity, convenience and efficiency of the Australian payments system. As part of this role, APCA manages payment and infrastructure systems. APCA has five clearing systems covering cheques, direct debits and direct credits, aspects of EFTPOS and ATM transactions, high value payments and bulk cash exchanges between financial institutions. It also manages the COIN infrastructure system. APCA has around 80 members including banks, building societies, credit unions, the Reserve Bank and other participants across its systems.

Promoting Inclusion in the Digital Economy

Australians use the payments system on a regular basis and it is often their first point of contact with the financial system, whether it is through the regular payment of salary into their accounts or through the purchase of goods and services. The payments system is a vital and critical infrastructure within society and one of APCA's strategic objectives is to promote public awareness of, and trust in, a safe and efficient payments system.

As part of this remit, last year APCA investigated the decline in the use of cheques in Australia and published a report entitled "The decline of cheques: Building a Bridge to the Digital Economy" (the Final Report).¹ The Final Report included recommendations for industry work on enhancing the payments system to support emerging payment products, engagement with government and stakeholders on specific existing barriers and raising public awareness about the accessibility and benefits of electronic alternatives.

The Final Report noted that there are significant changes happening in our society and economy. We are moving towards a "digital economy" and payments have been, and must continue to be, a part of that. The digital economy is defined as the global network of

¹ <http://www.apca.com.au/docs/cheques/decline-of-cheques.pdf>

economic and social activities that are enabled by platforms such as the internet, mobile and sensor networks. The Seoul Declaration for the Internet Economy, for example, noted that:

The further expansion of the Internet Economy will bolster the free flow of information, freedom of expression, and protection of individual liberties, as critical components of a democratic society and cultural diversity.²

The Australian Communications and Media Authority (ACMA) found that consumers benefit greatly from access to the digital economy:

...giving Australians access to ICT [information and communication technology], particularly the internet, is vital to enabling them to fully participate in the economic, social, educational, political and cultural life of modern society.³

Financial Literacy and Payments

APCA endorses the definition of financial literacy provided by ASIC and believes that this definition is broad enough to include a strategy of promoting efficient access to the payments system by those sectors of society still dependant on inefficient methods of payments.

APCA believes that the financial literacy strategy will be augmented by promoting an understanding of payments choices available to consumers, including issues such as cost implications of certain payment options and benefits offered by various alternatives. For example, awareness of the use of on-line and mobile payments, and raising awareness of security issues including fraud prevention could be important components of this strategy.

We believe there is a strong nexus between financial literacy, financial and social inclusion and participation in the digital economy, and that awareness and understanding of payments alternatives will provide consumers with an ability to make informed decisions.

APCA and its members are looking at ways to improve access to on-line payments through new payments platforms and by practical measures such as consumer education and branch access to on-line services. An acknowledgement of the importance of payment options in any future financial literacy strategy would be an important contribution to this work.

APCA would be happy to discuss the issues we have raised in this letter.

Yours faithfully



Chris Hamilton
CHIEF EXECUTIVE OFFICER

² OECD Declaration for the Internet Economy, May 2008 <http://www.oecd.org/internet/consumer/40839436.pdf>

³ http://www.acma.gov.au/webwr/assets/main/lib410148/chapter%205_consumer_benefits_from_participating_in_the_digital_economy.pdf