

18 November 2013

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Head of Payments Policy Department
Reserve Bank of Australia
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Dear Susan,

RE: Proposed Australian Payments Community and Council - A consultation document.

iGODirect Group welcomes the invitation to make a submission outlining our feedback on the APCA and RBA's joint consultative document: "Establishment of an Australian Payments Council" released in Oct 2013.

iGODirect, established and wholly owned in Australia, is a specialist Marketing Services company that has been developing successful rewards and loyalty programs for its clients through the deployment of multi-channel communication platforms since 1999. Many of our programs use the technology of single load and re-loadable eftpos cards as the reward delivery mechanism and are used by our customers across Australia. With our successful rewards open-loop gift card product, we are one of the 3 largest open loop prepaid and loyalty card providers in the country amongst the 20-25 players in the eftpos gift cards and re-loadable eftpos solutions sub-segment with a projected growth potential of 90-100% for the FY 2013-14.

Background:

APCA and RBA have jointly initiated a proposal for the creation of an Australian Payments Council for fostering innovations in the payments systems through regular engagements of industry stakeholders and payments regulators. The objective of the proposed Australian Payments Council is to augment the ongoing developments of the Australian

Payments Systems in order to meet the changing user needs, while delivering efficient and safe payments services in an environment that encourages competition.

The members of the Payments Council will be drawn and supported by a broader "Payments Community" which is also a proposed entity in the scope of the consultation document and as per the guideline, "*will enable all interested parties to participate in an exchange of information related to strategic issues for the payment system*". The Council will also engage in an ongoing dialogue with the Payments Systems Board (PSB) as well as generate common industry positions that it may recommend for actions and adoptions by the industry, including through the other industry vehicles like APCA.

The Consultation document seeks views on the creation of the Australian Payment Community and Council on the four specific points addressed below:

Items for consultation:

1. Merits of creating a Council and a supporting Payments Community

The financial market in Australia has been traditionally mature and stable amongst the developed countries under the guidance and interventions of the regulatory authorities. Even in harsh economic times, the Australian market has seen sustained growth in the use of electronic transactions and indeed for many organisations - more cost effective systems to support this transactional growth. However with the advent of digital revolution, retail payments is being disrupted by non-traditional players who don't have legacy systems, practices and mindsets. Thanks to the tailwinds provided by the financial crisis and the emergence of mobile devices that are now in the hands of nearly everyone worldwide, consumers and small businesses are not only open to new banking players and approaches but are embracing them in other geographies. The new generations of digital natives are clearly shaping the world for tomorrow which demands ubiquitous but invisible engagement with the payments ecosystem.

iGODirect believes that the Australian payments market is evolving through a period of globalisation, supported by technology innovation, increased competition from the new payments entrants and increasing levels of prudential oversight. Small players like iGODirect will be able to tap the potential consumer behaviour shift towards the digital engagements with more of the intuitive service offers relevant to the consumer point of view. It is to be noted that the engagement with the more influenced digital natives and digital immigrants through innovative payments services are already taking shape in the US and European markets by many new players and start-ups within the framework and purview of the regulatory bodies. Generating and nurturing of similar innovations within the Australian market will certainly help players like iGODirect who have the niche skill-sets in Marketing and Digital Communication

services that compliments the core proposition of open loop pre-paid loyalty card services provided to the loyal corporate customers.

The formation of the Payments Community and a more senior level body - Payments Council will help address various issues and challenges faced by the variety of players in the market for the day to day operations of their payments services. The association with various members of the Payments Community - banks, schemes, services providers and users will augment the collaboration and strategic sourcing of services related to the suitable partners within the community, thus enhancing the value proposition of individual players to their specific customers. Such an increased association with the members of the payments community will also help rationalise the cost of products and services from the payments solution providers.

Lately many banks and financial institutions have been upgrading their core banking and payments systems to provide more flexibility and value added products and services that can be leveraged through continuous association and engagements in forums such as the proposed Payments Community. These engagements will ensure that the members of the community are always well informed of the products and services proposition from the providers and can always choose the best of the offerings at competitive prices.

The recent consultation initiative by RBA on the Card Access regime and the positive industry responses on amendment to the regime is a welcome sign for the new entrants and smaller players who wish to participate into the cards and payments market. As per RBA's consultation document on the Card Access regime, *"Prospective participants may be discouraged from entry because the access regimes impose a regulatory burden – that of prudential supervision by APRA – that may be more onerous than necessary given the nature of their operations and financial standing. For instance, the combination of the Bank's access regimes and regulatory requirements administered by APRA currently require an entity wishing to become a MasterCard or Visa acquirer to go through the same ADI authorisation process and ongoing prudential supervision as a prospective issuer, despite posing arguably less risk to the payments system."*

The above statement clearly displays RBA's (the Bank's) intention to introduce robust and fair competition within the retail electronic payments market without compromising the stability of the payment system as well as the financial risks associated with issuing and acquiring cards.

Similarly, the initiative of APCA and RBA to develop the national framework for real time payments is an exciting development towards promoting the payments innovation and ongoing improvements to the efficiency of the payments system. The real time payments solution, supervised under the industry project New Payments Platform (NPP), would enable businesses and consumers to make payments in real time with close-to-immediate funds availability to the

recipient by the end of 2016. This will help smaller players like iGODirect to take advantage of the proposed infrastructure to provide real-time experience to end customers via the participating financial institutions.

We believe that our active involvement in the proposed Payments Community and Council will help improve our overall industry awareness and capabilities for offering innovative services both at national and international levels and hence create an opportunity to develop payments expertise within the organisation rather than becoming over-dependent with various external consulting firms on payment strategies and market intelligence.

To conclude on the merits of establishing the Payments Council and supporting Payments Community, we strongly support such an initiative and will be very pleased to get involved in the Community as an active member. We are committed to expand our current cards business in the Australian market and such an association will help the growth of the business in a significant manner.

2. Memberships and Voting arrangements

iGODirect, an Australian cards services provider, is currently one of the 3 largest open loop prepaid and loyalty card providers, having provided over 500,000 eftpos cards since inception. iGODirect provides cards and value added services to over 145 large and medium corporate customers all over Australia from a broad range of industry segments.

The invitation from APCA and RBA to join the proposed Payments Community and Payments Council is viewed positively by our management board. We are pleased to provide our preferences towards the participation with the proposed bodies as indicated below.

Payments Community

iGODirect is eager to be part of the Payments Community as an active member/subscriber of the proposed Community. We strongly believe that being a member of this Community will enable us to contribute significantly to the payments innovation and diversity within the Australian market. We are comfortable with the mechanism of engagements of the proposed Payments Community with the Payments Council mentioned in the consultation paper - "*The Payments Community will participate in an exchange of information with the Council in two ways: meeting of the Payments Community and reports or requests for input from the Council between meetings*".

Payments Council

With regards to the membership within the Payments Council, iGODirect will seek the discretion of APCA and RBA for the eligibility assessments for the limited membership seats within the Payment Council. Given an opportunity, iGODirect will be pleased to nominate a member for the Payments Council from the "facilitator and other" group as indicated in the Membership section (section 3.4) of the consultation document.

3. Engagement with the Payments board

iGODirect appreciates the vision of the Payments Systems Board and their constant effort to bring enhancements to the Australian payments ecosystem, at times through regulatory framework and through the proposal for a new national infrastructure and framework, thus promoting both incumbent as well as new players in a level playing field. We believe that one of the key benefits of joining the Payments Community is to seek the support and guidance of the Payments Systems Board for their overarching objective of promoting fair competition in the payment services market and maintaining the efficiency and overall stability of the financial systems.

Over the last couple of years, the Payments System Board has taken strategic initiatives towards the direction of ensuring increased competitions and innovations within the Australian market. Some of them includes : the governance of interchange fees that saw reduction of fees in some categories of transactions; changing the surcharging standards to allow the card schemes to limit surcharges to the 'reasonable cost of acceptance'; eftpos regulatory framework to introduce multilateral interchange fee schedule to support the competition and efficiency in the payments system as a whole; initiative to review the card system access regimes to encourage new entrants in the market without the impediment of the high degree of regulations; Dual-network debit card to safeguard the rights of Australian card-issuing banks and institutions to maintain existing dual-network arrangements in the contactless environment; commencement of real time payments solutions framework development in Australia , to name a few.

We believe that a continuous engagement between the Payments Council representing the Payments Community and the Payments board will facilitate an excellent collaboration between the regulators and the payments system providers and users. A fair and collaborative exchange of ideas and suggestions through the Payments Council will drive a structured development of the future framework of next generation payments ecosystem and evaluate the strategic issues and challenges for the industry.

Furthermore, we believe that the engagement of the Community/Council with the Payments Board will certainly help to put forward the voices of smaller players like iGODirect operating within the Australian payments environment. Without the intervention of such regulatory bodies, a new entrant or smaller player will be facing uneven competitions from the large card issuers, their powerful national members and their global interest.

4. Any other provisions

iGODirect is very keen to be associated with the Payments Community as mentioned in the earlier sections of this response document. The consultation document also mentions about the creation of a User Consultation Group to evaluate the feedback and suggestions of the end users which includes participants, system operators, service providers and facilitators.

iGODirect, being a payments service provider in Australia within the pre-paid and gift card space, would like to also participate in the User Consultation Group to provide the perspective of the end-users for the future development of the payments system.

We thank you for the opportunity to contribute to this consultation document. We, of course, remain available to discuss these comments at any time and to that end request that you contact the undersigned.

Yours sincerely,



Patricia Dalton

Managing Director,
iGODirect Group (incorporating Rewards Come True and Gift Card HQ)