



eftpos FinTech Advisory Committee Report

Innovating on the domestic card rails

eftpos & Members of eftpos FinTech Advisory
Committee, July 2021



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Good for Australia

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Acknowledgments

eftpos would like to acknowledge and give thanks to members of the FinTech community whose contributions assisted with the development of this report.

Special thanks to CEO, Paypa Plane & Chair FinTech Australia, Simone Joyce, along with CEO FinTech Australia, Rebecca Schot-Guppy and Ben Tabell, eftpos Chief Information Officer.



eftpos would like to thank the representatives from following FinTech companies who joined the eftpos FinTech Advisory Committee and contributed to the report findings.

These individuals include Adam Atawneh (Assembly Payments), Cameron Ross (Bleu), Christian Westerlind-Wigstrom (Monoova), Damien Vasta (Sniip), David Adams (Sniip), David Link (Verrency), Farhan Alam (Assembly Payments), James Foster (Ezypay), Jeroen van Son (Verrency), John Murphy (Azupay), Katryna Dow (Meeco), Prashan Paul (POLi), Simone Joyce (Paypa Plane).



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1.0 Executive Summary

eftpos in collaboration with FinTech Australia established the eftpos FinTech Advisory Committee as a way of giving Australian FinTechs a direct avenue to discuss how they partner and collaborate to access the eftpos payments network for the betterment of Australia's digital economy.

Ten leading FinTech companies joined the Committee, chaired by Ben Tabell, eftpos' Chief Information Officer, meeting over five months and whose collective contributions helped create this initial report about how to best leverage the eftpos digital roadmap, API programs along with a variety of industry topics.

The aim of the Committee is to advise eftpos on ways the company can build on its efforts to make it easier for FinTechs to access the eftpos network and our products and services, in order to build their own businesses and payment experiences that can work across a broad range of connected devices in the digital economy.

Terms of reference for the Committee are as follows -

- How FinTechs can best access the network, securely, quickly and at low cost,
- How to create a better understanding around the level of access required by FinTechs for commercial opportunities (either as a merchant or a gateway),
- How to improve/streamline the process of accreditation, and
- The best way to develop a process to determine business opportunities/partnerships together.

1.1 Summary of recommendations

Representatives from ten FinTech businesses along with eftpos have developed the ten recommendations in this report to streamline access to its network and to safeguard Australia's domestic cards payment infrastructure to achieve the competition, innovation and productivity sought by the Australian FinTech community.

These recommendations include several themes that cover consultation and engagement, regulation and technology and solutions.

Specific recommendations include further consultation with the Committee during the drafting of new eftpos rules for both traditional processing and new eftpos businesses, exploring options to streamline sponsorship arrangements to enable better access for FinTechs, as a well as closer relationships and information exchanges between the FinTech community and eftpos Members.

Additional recommendations include exploring existing technologies to create new digitised mobile initiated payment experiences, establishing dedicated eftpos relationship managers for FinTech partners, consultation with the Committee on future eftpos API strategy planning and continuation of eftpos FinTech Advisory Committee as representatives from the Committees consults with eftpos Board regarding key report recommendations.

Getting the engagement, solutions and regulatory architecture right for the FinTech and payments communities will set Australia up for success in the digital economy for the short term and in years to come.

FinTechs are a dynamic and growing sector of our economy, and of crucial importance in the payments space. eftpos is proud to be a market leader in developing digital payments solutions in collaboration with Australian FinTechs.

2.0 Introduction

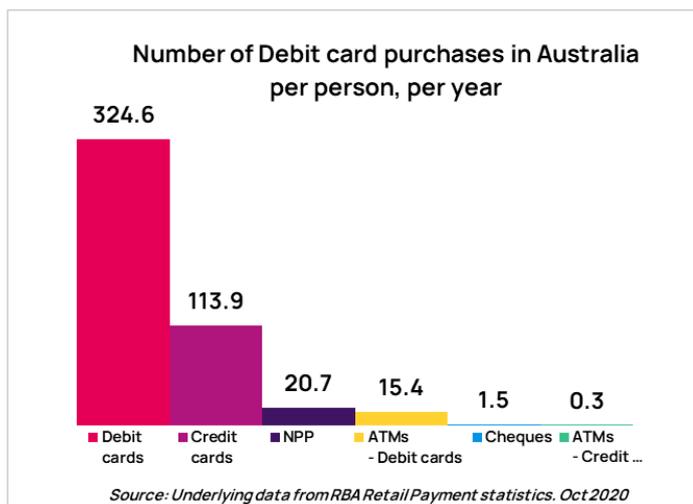
eftpos is a national payments network and provides key infrastructure enabling real time payments for businesses and consumers across the Australian economy. eftpos is owned and operated by Australians, and its purpose is simple – to change the way Australians pay for the better.

Debit cards are the preferred way to pay in Australia, using tap-and-go cards and increasingly mobile wallets, representing nearly 9 billion or almost 70% of total electronic transactions annually.¹

Innovating on top of the rails has led to global innovations such as popular buy now, pay later (BNPL) platforms and Norway’s Vipps mobile App, which demonstrates how one local version can take off as an alternative to Big

Tech, with both serving as great examples of innovation flourishing on top of a domestic card network’s rails with support from the local industry, for the benefit of customers.

In this tradition there are significant opportunities for FinTechs to leverage the domestic eftpos infrastructure and network, which currently includes access to around 51 million Australian eftpos-enabled proprietary, multi-network debit and multi-network credit cards, as well as hundreds and thousands of merchants. This is in addition to the various eftpos innovations, technologies, and services such as digital identity, micropayments, QR codes and eCommerce payments.



2.1 FinTech community representation

Ten leading FinTech companies joined the Committee, representing a wide range and levels of engagement of the FinTech community with eftpos. This included those that had the opportunity to form brand-new business engagements with eftpos, through one FinTech partner that featured as the very first offering to be launched by eftpos and a FinTech partner under the new eftpos public API program.

Common goals across all participants included creating better services and outcome for payment system users, being consumer and merchant focused, supporting a digitally-enabled future for payment systems users, creating a competitive and collaborative innovation environment, as well as helping the government and FinTechs drive the digital economy and low cost and ubiquitous solutions, just to name a few.

2.2 eftpos digital strategy and infrastructure

eftpos is innovating in a way that remains true to our record of putting the interests of Australian merchants and consumers first, as a reliable, ubiquitous, low-cost competitor to the multinational schemes and global tech giants.

¹ 'Electronic' transactions include RBA retail payments statistics figures for debit cards, credit cards and NPP. Based on RBA Retail Payment Statistics, May 2021 <https://www.rba.gov.au/statistics/frequency/retail-payments/2021/retail-payments-0521.html>

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As a key component of the nation's payments ecosystem and infrastructure, eftpos remains partner and wallet agnostic, working with a wide range of FinTechs and digital partners to offer a fully digitised payments rail that supports a variety of competing digital wallets and other digital applications to encourage further innovation.

Having made significant self-funded, investments in the company's and its Members' core centralised infrastructure and digital capabilities in recent years, our Vision is to put eftpos at the centre of the digital ecosystem by making it easy for Australians to use their own money in a digital world.

Our new digital strategy leverages our centralised payments infrastructure, the eftpos Hub, that was built in late 2014, our eftpos Token Service that went live in 2016 and our API platform that went live last year. Together, these assets provide locally-based, world-class, fit for purpose, secure and accessible real time payments infrastructure.

The resilient Hub infrastructure has been running at zero downtime since launch and enables local FinTechs and financial institutions to access, innovate and compete on top of the eftpos payment rails, utilising existing API platform access, the Hedera Hashgraph node or QR code orchestration access under construction as examples.

The continued acceleration and growth of debit card transactions in Australia makes eftpos' digital strategy even more important for competition and innovation.

eftpos' [Product Roadmap 2021 Update](#) provided the delivery dates for a suite of initiatives and enhancements including in-app payments, enhanced fraud protection, a Digital Identity network, mobile wallets, QR Codes, APIs and eftpos online payments, such as enhanced fraud protection for additional use cases.

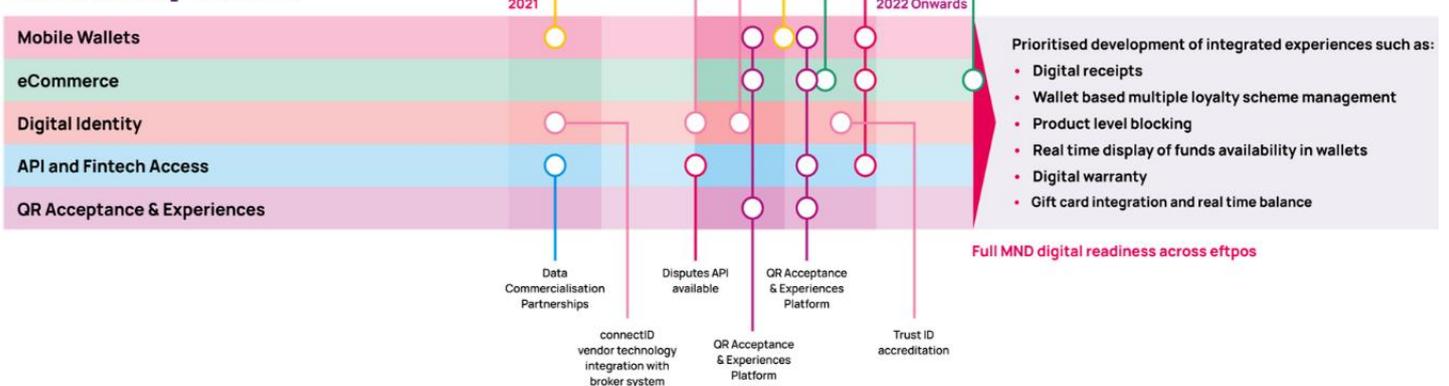
Many of the initiatives have been in train for many years and the Product Roadmap provides greater clarity to Members, FinTechs and retailers on delivery dates that enhance the digital commerce experience.

eftpos' API Develop Portal gives Australian FinTechs the opportunity to build payments capability into their solutions for use at both shop checkouts and eCommerce, with a sandbox environment.

***Innovating
for Australia***

***FinTech and eftpos
working together to
deliver market
leading innovations
designed by
Australians for
Australians***

eftpos Product Roadmap 2021



3.0 Discussion

The following section summarises the key topics discussed by the FinTech Advisory Committee with the primary objective to build their own businesses and payment experiences across a broad range of connected devices in the digital economy.

Discussions also focused on ways eftpos can build on its efforts to make it easier for FinTechs to access the eftpos network, and its products and services.

3.1 Access to eftpos network and infrastructure

A central theme discussed was things identified as standing in the way of enabling better FinTech access to eftpos network and infrastructure.

eftpos rules already provide access capabilities for FinTechs under the four-party payment system model through Acquiring relationships or as service providers to merchants acquired by eftpos members. The Committee raised concerns about having to connect through potential competitors.

The Committee believes the current reliance on Acquirer sponsorship should be re-considered, with the FinTech community favouring a more direct and modified access model to minimise administrative and compliance burden to leverage eftpos' network and infrastructure.

eftpos is scheduled to launch two new eCommerce anti-fraud tools later this year, aimed at helping Australians make more secure payments online, which will go some way to expand the number of Acquiring businesses, including gateways, supporting eftpos eCommerce transactions in the Australian market.

It has been noted Acquiring providers familiarised with ISO requirements and tripartite models can provide Exchange Settlement Account (ESA) services that could prove to be more appealing to the FinTech community.

eftpos has a number of key infrastructure technologies, the primary ones include the payments infrastructure known as the eftpos Hub, including loyalty services and QR code orchestration, Digital identity infrastructure known as connectID, an Australian payments app called Beem It that enables consumers to send and receive money using their phone in seconds, as well as value exchanges that in the future could be made through the Hedera Hashgraph node and other data exchanges that accompany transactions.

As eftpos develops new rails or businesses, there is potential for alternative engagement models as compared to the traditional four-party model that includes the cardholder, the retail business, Acquiring bank and card-issuing bank, recognising that one party may perform multiple functions.

One example is the switch to issuer concept, where a service provider can connect merchants to eftpos infrastructure directly with the transactions being acquired and settled under a traditional Acquirer relationship – this provides a couple of potential paths for involvement for FinTechs servicing merchants, whether solely or through tripartite arrangements with Acquirers.

eftpos' new Deposit and Withdrawal messaging capability is another example which could also be used for a range of productivity-boosting peer-to-peer or business-to-consumer use cases such as insurance payouts, government disbursements, rebates or instant payroll.

eftpos & Hedera

eftpos joined the Hedera Hashgraph Governing Council and will run the country's first Hedera network node this year.

Additionally, as cardholder present and digitised transactions blurs the demarcation between card present and card not present defined transactions, there continues to be opportunities to explore the changing nature of risk and streamline more secure methods of cardholder and transaction authentication, in conjunction with existing software and devices.

Committee Members have expressed the importance of access to various Sandbox environments to test POC's and as part of the ideation process. eftpos provides this opportunity through its API Developer Portal, allowing access to Sandbox, test APIs and documentation.

As part of the on-going engagement, eftpos will continue to discuss and seek more detailed understanding of the specific payment transactions, as well as non-payment and non-financial uses cases for which the FinTech community wishes to leverage eftpos infrastructure.

These uses cases will have bearing on the possible solutions across key areas including approach, access and security requirements, impact on the eftpos brand, types of connections and specific eftpos infrastructure sought to be accessed.

3.2 Data as the new currency

It is evident there is an emerging data economy and value exchange often accompanying payment transactions. A diverse supply of data is coming from a growing number of transactions, consumer behaviours, applications, smart devices, and all of these things are creating data assets. At the same time, on the demand side, there are a growing number of different businesses including FinTechs, seeking a data exchange at points of consumer interaction.

Consumers are becoming increasingly aware their data and its growing value can provide additional returns to themselves, as well as external organisations. This can give rise to data as a form of currency rather than money itself. As an example, the concept of data altruism and donation of data, is just one area overseas regulators are exploring in the development of the EU Data Governance Act.

eftpos has a number of key infrastructure technologies that can create value exchanges as they relate to payments, identity and data. These exchanges could be used in different combinations that create packages value exchange, including ones that don't wrap around traditional payment transactions

3.3 Consumer trends driving preferences

The growth of debit card transactions in Australia is likely to continue as Australians move away from cash and credit, so eftpos' digital strategy even more important for competition and innovation.

Building services beyond the payment is a key area of innovation. eftpos is developing and investing in several solutions and products that aim to create greater value, ease and security for Australian consumers and businesses transacting in the digital economy.

Debit cards are by far the most frequently used means of transacting in the economy and Australians most preferred way to pay. As Australians embrace mobile solutions, people have provisioned their physical debit cards into mobile apps and use contactless and mobile payments has grown more since COVID-19.

In addition to traditional payments participants, popular buy now, pay later (BNPL) platforms are enabling the major Mobile Pay solutions, while also launching its own digital card for making in-store purchases in early 2021.

3.3.a Mobile wallets

The move to mobile looks set to continue along with the rise of digital wallets and in store mobile initiated transactions as the most common types of contactless forms of paying.

Australians are already using digital wallets to pay for everyday expenses and the Committee recognises the key growth opportunities are linked to how the value-added services that wrap around the digitised payment are achieved.

Now is the time to re-imagine the Australian payment experience by exploring existing technologies available through mobile devices such as Bluetooth Low Energy (BLE), QR codes and other alternatives, while businesses look to implement new digital innovations to improve efficiency and create better customer experiences.

eftpos purchased Beem It, the Australian payments App that enables consumers to send and receive money using their phone in seconds, last year to help diversify the business and move further into the digital ecosystem. While eftpos looks to expand the capabilities of Beem It services over time, for example through Deposit and Withdrawal messaging, it maintains its role as partner and is wallet agnostic.

Mobile growth

eftpos statistical analysis indicates along with anecdotal evidence reveal some retailers now see between 10-30% of their point-of-sale transactions made on NFC mobile devices.

3.3.b QR codes

As the use of digital wallets grows, the focus on using QR codes to create enhanced payments experiences is increasing. The technology has seen a resurgence in Australia during the COVID-19 pandemic as businesses and venues widely adopted QR codes to register their customers and Australians increasingly turning to digital shopping.

eftpos is well underway in developing its new orchestration platform, which will initially be accessed via QR codes. It will be designed to be both low cost and facilitate many value adds for merchants and consumers beyond the payment such as loyalty, offers and receipts, with the national rollout expected to be completed in 2022.

Enabled through the eftpos QR Code (eQR) service, the eftpos' orchestration platform aims to provide Australian consumers and merchants with better data-rich payments experiences no matter where they choose to shop – online, on their mobile or at the checkout – or whichever payment type they choose to use. Enabling consumers to initiate and transact securely with their preferred digital wallet.

This creates opportunities for a new experience beyond payments, powered by eftpos' emerging APIs and in conjunction with the FinTech community.

3.3.c Digital identity

Digital identity is an area of importance to a growing number of organisations. Many services, including retail, banking and health care as examples, are being transformed by digital technology and the shift to digital has been accelerated due to COVID-19. Digital identity is the key to ensuring security, privacy, compliance and convenience for people and businesses as they increasingly participate in the digital economy.

eftpos' expertise as a trusted Australian payments scheme, means that we can seamlessly combine identity and payments transactions within the same flow. Opportunities for deeper integration between payments and identity management processes will create even better customer experiences while reducing opportunities for fraud.

eftpos' connectID will be a key component of the new economic infrastructure that will transform the way we manage identity in Australia.

connectID is collaboratively working with state governments, industry associations, FinTechs, businesses and online merchants to simplify and manage a range of customer identity needs and requirements, helping solve compliance requirements for many different sorts of businesses.

As both an 'exchange' under the Federal Government's Trusted Digital Identity Framework (TDIF) and a 'broker' under the private sector TrustID Framework, connectID is the critical hub that will enable full interoperability across and between both government and commercial use cases for identity management and identity data sharing.

A straight-forward customer experience, typically just one or two clicks, will allow Australians to take control of what and with whom their personal information is shared.

3.4 Advocating for sensible regulation

There appears to be a commonly touted misconception that the Fintech community does not support or are reticent towards regulatory intervention. Whereas the reality is quite different, the Committee emphasises that FinTechs are advocating for sensible and appropriate forms of regulation to support their business growth.

While the Committee has outlined outdated regulation is unhelpful, collectively they believe more can be done to improve competition and encourage principles based, enforceable regulation that is fit for purpose as payments evolve.

eftpos along with the Committee plan to continue discuss positioning for sensible regulation, encouraging competition and fit for purpose payments system. Collectively the group are already aligned across many recommendations outlined in several regulatory submissions, including the recent Treasury Department's Payments System Review.

It is important eftpos and the Committee come together to find ways to address anti-competitive behaviour such as specifications, rules or conduct that create barriers or prevent or delay a competitor from entering or scaling in a form factor or channel, in addition to exploring alternative methods where current limitations exist in relation to access and certain in-app purchases.

As Australian mobile payments continue to grow and evolve with new technologies and new players, the Committee is fully supportive of any interventions that ensure a level playing field, support innovation, facilitate competition and guarantee the best outcomes and protections for merchants and consumers in Australia.

FinTechs & Regulation

Challenging the misconception that FinTechs are against regulation, rather that they are advocating for sensible regulation

4.0 Recommendations

Representatives from ten FinTech businesses along with eftpos have developed the ten recommendations in this report to covering several themes including consultation and engagement, regulation and technology and solutions.

These ten recommendations include -

- I. eftpos to establish dedicated manager relationships between eftpos and the FinTech community, to build and enrich industry partnerships and drive volume opportunities.**
- II. Continuation of eftpos FinTech Advisory Committee for another 12 months to build upon discussions and recommendations outlined in this report, with the view to publish a follow up report in 2022.**
- III. Invite representatives from the FinTech Advisory Committee to consult with eftpos Board regarding key recommendations outlined in this initial report.**
- IV. FinTech Committee will be consulted ahead of future changes to eftpos rules that aim to enable broader access to eftpos traditional processing infrastructure.**
- V. Consultation with FinTech community ahead of the formation of rules as they relate to new eftpos technologies and businesses such as Digital identity and QR code orchestration.**
- VI. eftpos to seek to facilitate closer relationships and information exchange between with the FinTech community and Members, as it relates to eftpos ecosystem.**
- VII. Explore options to streamline sponsorship arrangements to facilitate FinTech access within the eftpos four-party model, including Acquirer relationships to facilitate settlement.**
- VIII. eftpos and FinTech community to discuss positioning for sensible regulation, encouraging competition and fit for purpose payments system.**
- IX. Invite representatives from the Committee to be involved with future eftpos API strategy planning.**
- X. Exploring emerging and existing technologies such as Bluetooth, QR code initiated and other alternatives to create new digitised mobile initiated payment experiences.**

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About eftpos

eftpos is Australia's debit card system, processing over 2 billion debit card transactions in 2020 worth an average of more than \$300 million each day. For more information on eftpos, please visit: <http://www.eftposaustralia.com.au>

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