

Payments Roadmaps: Lessons from Australia's New Payments Platform

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Disclaimer

Please note that any views expressed in this presentation are the personal views of the speaker and do not necessarily represent the views of APCA, the New Payments Platform Steering Committee or individual payment system participants.

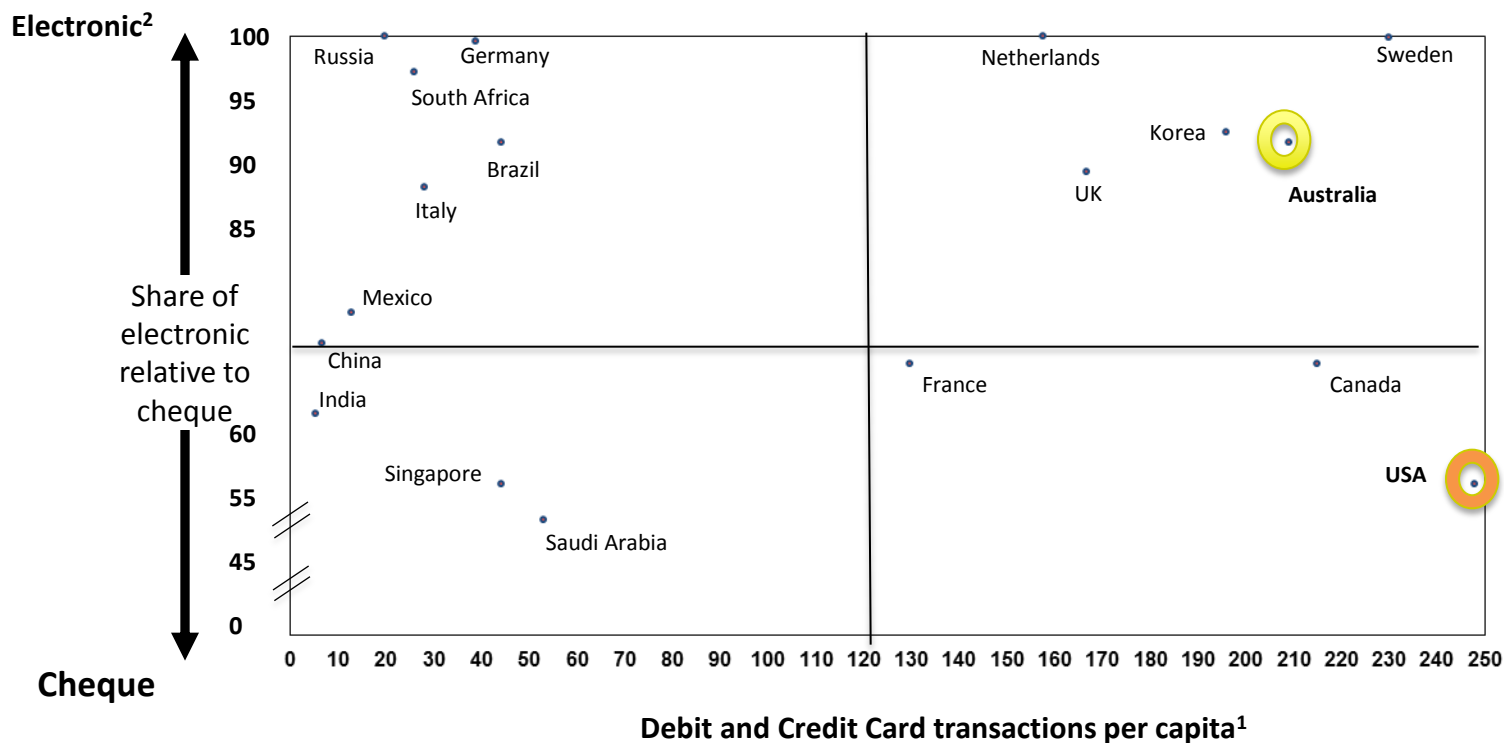
How do networked competitors build new shared infrastructure?

3 issues:

1. Who has to engage?
2. What is the burning platform?
3. What are the key tactical requirements?

Australian payments: the 50-cent tour

Transactions per capita, 2012



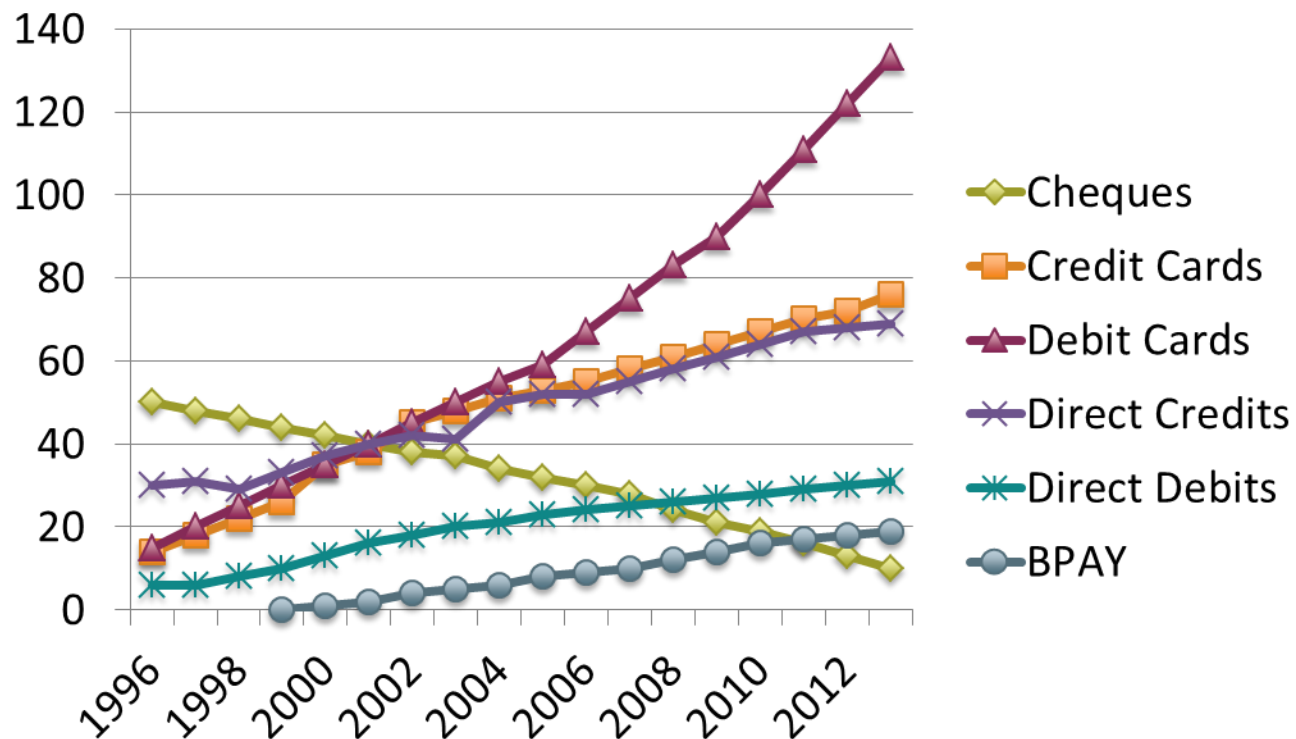
Source: McKinsey Global Payments Map, Revised and Updated by APCA using BIS data, December 2013

¹ Debit & credit card transactions, excluding ePurse and prepaid

² Electronic consist of credit transfers and Direct (ACH) debits; for this purpose it excludes card transactions

Australian payments: the 50-cent tour

Non-cash payments per capita



Source: APCA, RBA

The trouble with network change....

A critical mass for change is nearly everyone:

- Major players (funding, volume)
- Regulators (policy, approvals)
- New, small and alternative players (legitimacy)
- Operators (expertise, infrastructure)

NPP Participants

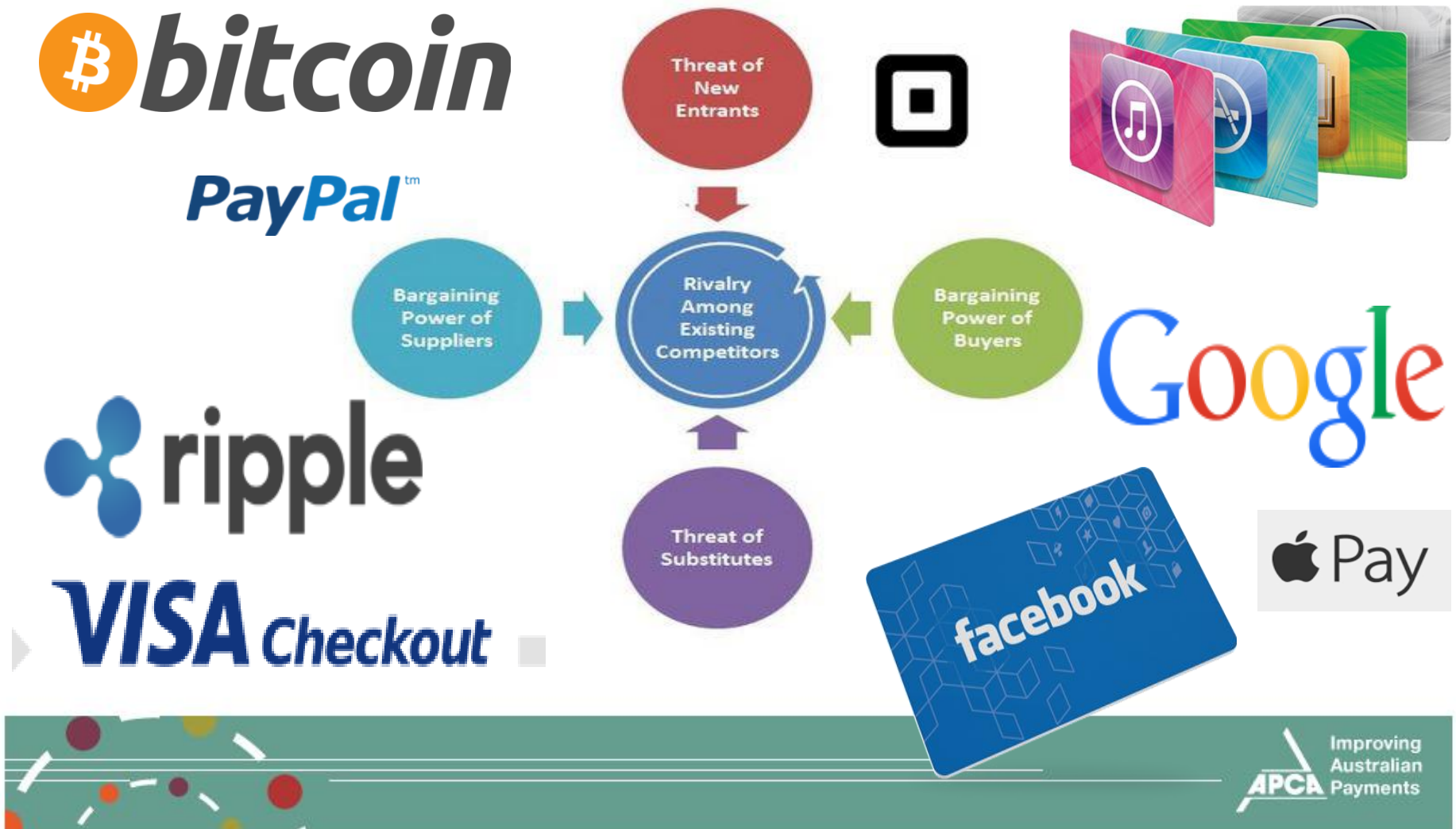


Ubiquitous networking: a game changer

- Own device
- Open platform automation
- Access to many alternative networks



Competition dynamics are changing rapidly



Porter's strategic responses

1. Operational effectiveness
2. Product innovation
3. Repositioning
4. Reshaping



Competitive

Collaborative

Pressures: regulatory demands

“...market forces might not be sufficient to produce some types of innovation that are in the public interest...[and] innovation is important to [the Board’s regulatory] mandate”



RESERVE BANK
OF AUSTRALIA

Payments System Board, Reserve Bank of Australia, June 2012

“The challenge for the industry is to provide a payment system for the future that combines the valued attributes of legacy payment methods... with new technology..”



The Federal Reserve Banks, September 2013



The target:

fast, flexible, data-rich
payments infrastructure

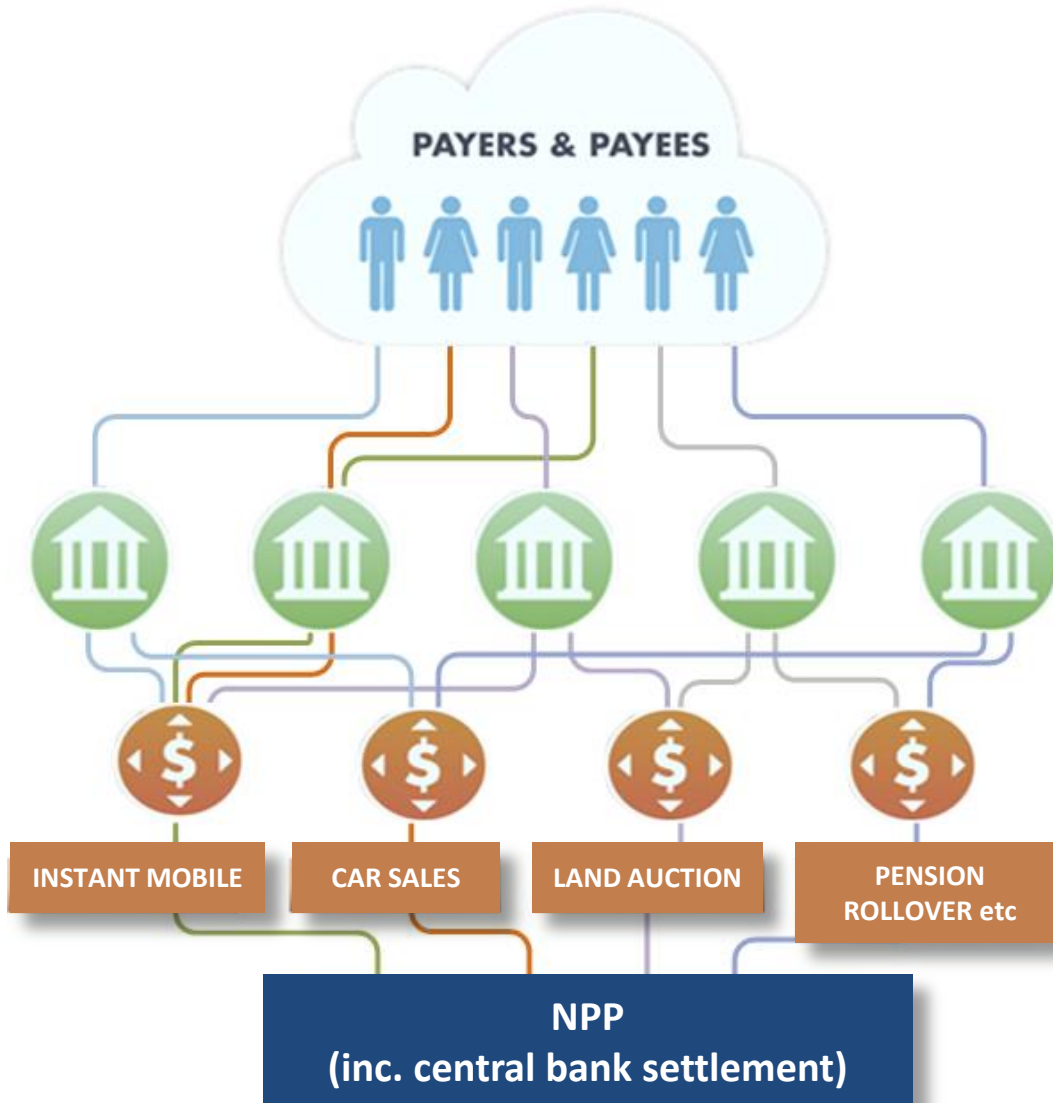
Integration/Ubiquity
LOW

Diversity/Contestability
HIGH

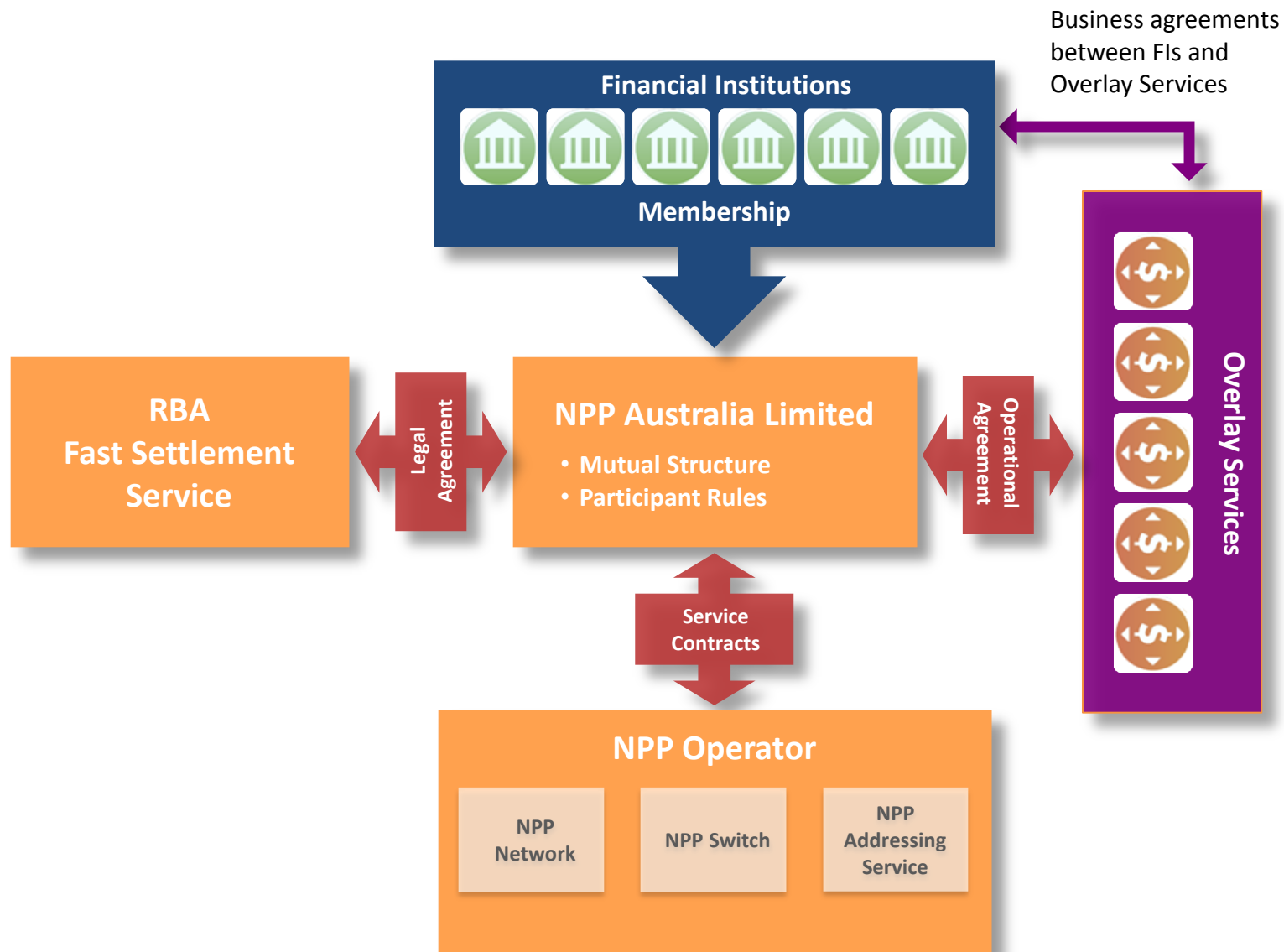
Users

Overlays

HIGH



LOW



Elements of basic infrastructure

- Ubiquitous open network
- Extensible message formats using ISO20022 global standard
- Fast ADI to ADI turnaround
- New platform, not a replacement
- Real-time value delivery through RBA

Overlay services – key concepts

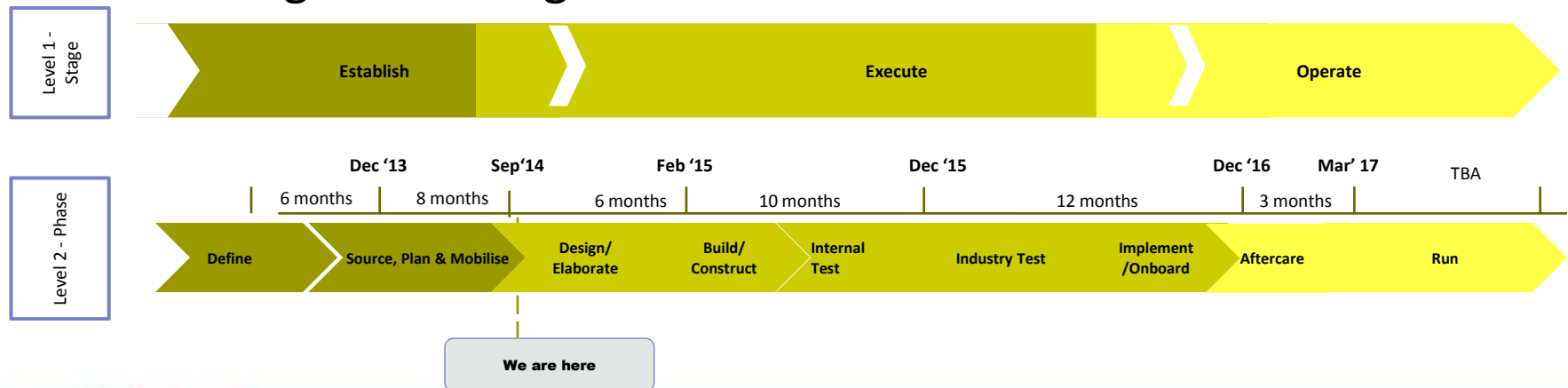
- Using the infrastructure, but commercially run
- Varied and potentially competitive
- Payment providers must belong to infrastructure, but can choose which overlays to use
- Extra “tailored” data – to link payment with transaction
- Conditionality

Why do it this way?

- Versatility
 - Providers need to serve all, any time: p2p, consumer/retail, b2b, g2p and so on
- Speed
 - In the era of the cloud, customer expectations are for real-time service. This must be built in.
- Data-richness
 - As economic activity goes fully digital, the payment must be embedded in the transaction.

Program status and next steps

- We are in the final stages of sourcing the vendors for the Basic Infrastructure and Initial Convenience Service provider
- Participants are now considering participation and connection options.
- The PMSO is focused on maintaining momentum into the next phase of the Program – Design & Elaborate.



Tactical Requirments – the “5 C’s”

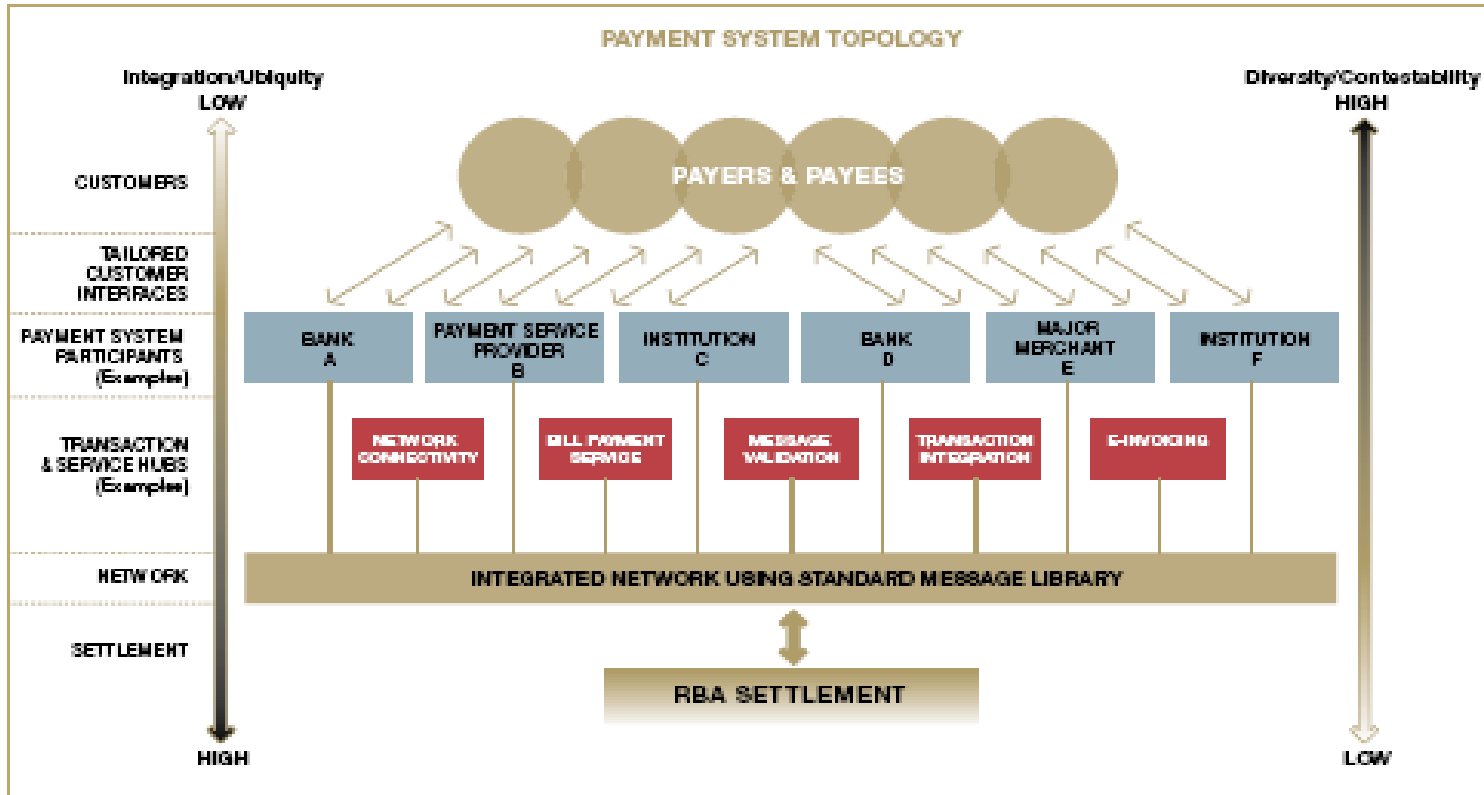
Tickets to the game:

- Commitment
 - For the long haul
- Cudgels
 - “Do nothing” must look dangerous
- Carrots
 - Is there a sustainable opportunity for profit?

Execution:

- Champions
 - Industry leaders must buy in
- Catalysts
 - Who’s doing the running around?

Bright ideas 2008...



A “layered system topology”...familiar?

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