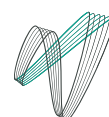Annual Review 2019

DELIVERING THE BEST CUSTOMER OUTCOMES

Australian
Payments Network
Connect Inspire Thrive

Australian
Payments
Network
Connect Inspire Thrive

This Annual Review is designed to provide our members and
stakeholders with a summary of what was achieved in financial
year 2018-2019. References in this report to a year are to
financial year ended 30 June 2019 unless otherwise stated.

CONTENTS

Australian Payments Network champions the payments system.

We enable competition and innovation, promote efficiency, and control and manage risk to deliver improvements for all users of the payments system.

As the industry association, we bring together a diverse range of organisations including financial institutions, major retailers, payment systems operators and technology providers. Our network includes more than 130 members and participants, and we welcome involvement from all organisations with a significant interest in payments.

In our role as self-regulatory body for payments, we take an inquisitive, front-footed approach to help deliver the best customer outcomes. Our vision is convenient and secure payments for all.

CONVENIENT AND SECURE PAYMENTS FOR ALL

Three strategic pillars underpin our work to deliver on this vision.

Promoting Innovation

Supporting secure innovation

Ensuring accessibility for all

Creating confidence in payments

Effective Self-Regulation

Managing risk and fraud

Modernising the payments rails

Shaping policy to deliver better outcomes

Leadership in Collaboration

Growing our network and membership

Delivering improvements in payments

Bringing the right expertise together

CHAIR AND CEO MESSAGE

General Chidlaw's 1954 analysis of US national security – "If you want security, you must be prepared for inconvenience" – may still resonate 65 years later when considering the same subject. It does not, however, resonate in the sphere of payments. Consumers expect convenience and security in payments and modern technology delivers both, without a trade-off between the two. Reflecting this consumer pull and technology push, AusPayNet's vision is convenient and secure payments for all.

In this context, one of this year's highlights has been supporting the Australian Payments Council's (APC) delivery of the TrustID framework. This meta-framework will support the creation of digital identity services that extend beyond payments and beyond financial services. Crucially, identity services under the framework will be interoperable between, for example, government and private sector services, enhancing convenience. They will also reduce the quantity of personally identifiable information (PII) that is shared online, enhancing security.

As well as creating new opportunities for digital service delivery, such services will help mitigate the risks of online payment fraud, which has been another key focus this year. Our card-not-present (CNP) fraud mitigation framework went live on 1 July 2019. In addition to reducing online

card fraud, the Framework is also designed to build consumer trust and support continued growth in e-commerce.

Our latest fraud statistics suggest that industry work on the Framework over the last 18 months has helped create awareness of protecting against CNP fraud. The data shows a decline in the rate of fraud on Australian cards for the first time since reporting became public in 2006. The statistics also show that in the card present space – at point-of-sale and ATM – Australians can rely on the security of these convenient payment channels: counterfeit/skimming fraud is at the lowest level ever recorded.

This year also saw us continue to develop our framework for open-loop payments in transport, with the trial in NSW continuing to expand, and development work underway in two other states. We also continued to modernise our own technology, including developing BECS Connect, a system which automates the previously manual transaction negotiation authorities between financial institutions to process direct entry payments.

We welcomed eight new members to our network this year – including for example Xinja, Google, Union Pay International and the Royal Australian Mint – bringing our total membership to 132. We also continued to shape the policy agenda, with a key focus on access

to payments, an important part of ensuring that policy and regulatory settings support convenient and secure payments for all, with the year seeing seven major policy submissions.

In FY20, we will continue to input to the regulatory settings for Australian payments. Over the coming year, ASIC will consult on the ePayments Code and the Reserve Bank of Australia (RBA) will conduct its latest holistic review of card payment regulation. We will also develop a standard set of operational performance statistics, which is an important metric of payment system resilience, in work that will involve our members, the RBA and APRA.

Two pieces of strategic work will be key priorities in FY20. We will:

• support the APC's sectoral assessment which underpins its new strategic agenda focussing on systemic resilience, combatting financial crime, and financial inclusion and accessibility.

• consult the industry on the future state of Australia's payment clearing systems and the steps and the enhancements necessary for that future state to be realised.

Simultaneously, we will maintain our focus on ensuring that as payments become more convenient for all, no users are left behind. In particular, we will continue to manage the consumer-led decline in cheques, to ensure that before cheques cease to be a viable option for consumers, all current cheque users have effective digital alternatives. And we will continue the work initiated this year to develop guidelines to ensure payment channels, notably at point-of-sale, remain accessible for people with disability.

We thank our fellow directors, members, the RBA and other regulators, and all of our stakeholders for their support of and input to AusPayNet. We also thank AusPayNet's staff for their hard work, engagement and skill in all that they do for the company and for Australian payments.

Rob Craig, Chair

Andy White, CEO

HIGHLIGHTS
This year's key outcomes

Conveniently, Sydney commuters can use their payment cards and linked devices to pay for travel on all modes of transport

A CNP Fraud Mitigation Framework to help the e-commerce community protect their customers and businesses

A trust framework to improve customer convenience, privacy and security in our digital world

New awareness programs to help those individuals and sectors that still use cheques transition to digital payments

New standards enable merchants to offer card payments to customers more cost-effectively and efficiently

New guidelines underway to improve accessibility for people with disability

CONSUMER PAYMENT TRENDS

Consumers are increasingly choosing faster and more mobile payment methods.

7 in every 10 people
aged 14+ use digital payment solutions

Source: Roy Morgan 2018

OVER 1 MILLION
contactless card payments on Sydney transport each month

Source: Transport for NSW

More than
27 million
card transactions every day

Source: Reserve Bank of Australia

About 1 contactless POS terminal for every 25 Australians

Source: ABS; AusPayNet

12% of people aged 14+ make mobile payments

Source: Roy Morgan 2018

More than

3.6 MILLION PAYID

registrations for fast payments via the NPP

Source: NPP Australia

9 in every 10 people own a smartphone

Almost half of them use biometrics to authorise payments – up 53% this year

Source: Deloitte Mobile Consumer Survey 2018

Spending at Australian online merchants up 27% in value this year
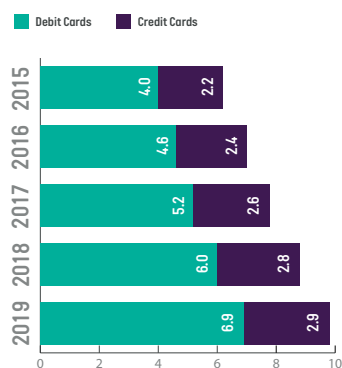
Source: Reserve Bank of Australia

Customers prefer convenient and secure payment methods.

Cards

Cards are the most popular payment method, and contactless payments are ubiquitous. Consumers and businesses made more than 9.9 billion card transactions this year – up 11.5% on FY 2018. Debit cards continue to dominate, representing 70.3% of all card transactions. Debit card use increased by 14.6% to 6.9 Billion transactions and by 9.3% in value to $333.4 Billion. Credit card use grew by 4.6% to 2.9 Billion and by 2.0% in value to $336.1 Billion.
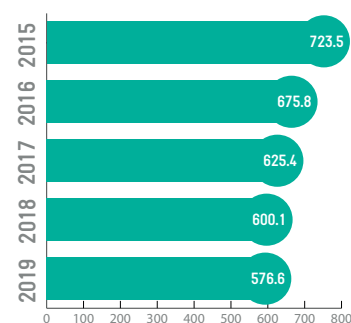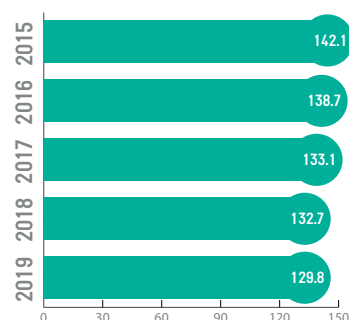
Cash

The consumer-led shift to digital payments can be seen in the steady decline of ATM withdrawals. The number of times people use an ATM has dropped 4.0% for the second consecutive year, down to 576.6 Million withdrawals. The value of ATM withdrawals dropped to under $130 Billion, down 2.1% compared to a minimal 0.3% drop in 2018. The slight increase in the rate of decline suggests that Australians have adjusted to the removal of ATM direct charges to non-customers.

NUMBER OF CARD PAYMENTS (Billions)

Debit Cards   Credit Cards

Year	Debit Cards	Credit Cards
2015	4.0	2.2
2016	4.6	2.4
2017	5.2	2.6
2018	6.0	2.8
2019	6.9	2.9

NUMBER OF CASH WITHDRAWALS (Millions)

Year	Value
2015	723.5
2016	675.8
2017	625.4
2018	600.1
2019	576.6

VALUE OF CARD PAYMENTS ($ Billions)

Debit Cards   Credit Cards

Year	Debit Cards	Credit Cards
2015	235.5	295.0
2016	256.4	307.9
2017	277.2	319.7
2018	305.1	329.7
2019	333.4	336.2

VALUE OF CASH WITHDRAWALS ($ Billions)

Year	Value
2015	142.1
2016	138.7
2017	133.1
2018	132.7
2019	129.8

Source: Reserve Bank of Australia
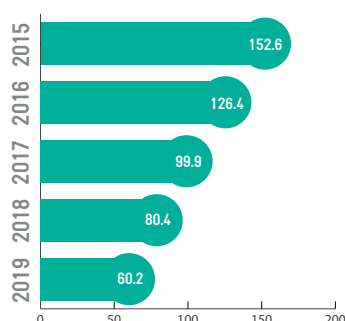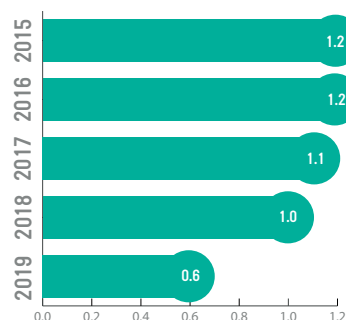
Source: Reserve Bank of Australia

Cheques

Cheque use plummeted by a record 25.0% to a low 60.2 million, following a 19.6% drop in 2018 and 21.0% drop in 2017. Cheque values dropped by a staggering 35.0%, to $654 Billion. The rate of decline, both in number and value, is the strongest ever as businesses and consumers continue to choose digital alternatives.
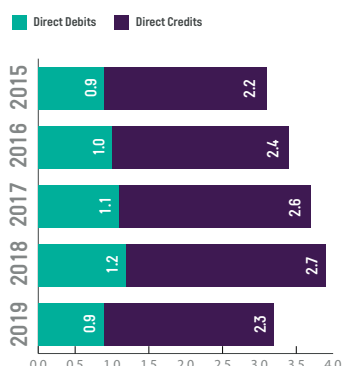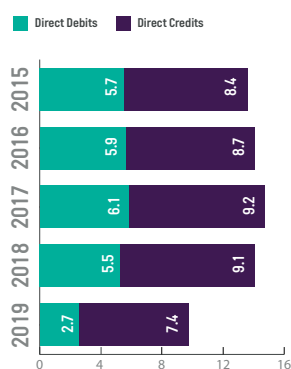
Direct Entry

Direct entry transactions account for the bulk of non-cash retail payments value, exceeding $10 Trillion this year. Measurement of annual growth was impacted by a break in the data series due to changes in the RBA's method of statistical collection. The Payments System Board's annual report has adjusted the data, showing an actual decrease of 4.2% in volume. The migration of some transactions to the NPP has likely contributed to this decline.
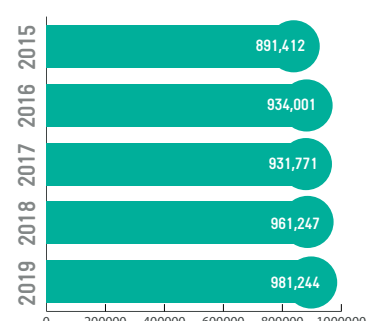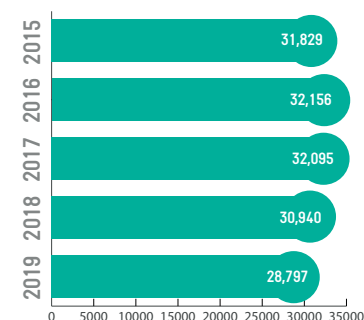
Access

Consumers' strong preference for digital payments is enabled by a high number of point-of-sale (POS) devices. Globally, Australia has among the most POS terminals per million inhabitants. Since 2015, the number of POS devices has increased by 10.1%; by comparison the number of ATMs has dropped by 9.5%.

NUMBER OF CHEQUE PAYMENTS
(Millions)

Year	Value
2015	152.6
2016	126.4
2017	99.9
2018	80.4
2019	60.2

NUMBER OF DIRECT ENTRY PAYMENTS
(Billions)

Direct Debits / Direct Credits

Year	Direct Debits	Direct Credits
2015	0.9	2.2
2016	1.0	2.4
2017	1.1	2.6
2018	1.2	2.7
2019	0.9	2.3

NUMBER OF POINT-OF-SALE DEVICES

Year	Value
2015	891,412
2016	934,001
2017	931,771
2018	961,247
2019	981,244

VALUE OF CHEQUE PAYMENTS
($ Trillions)

Year	Value
2015	1.2
2016	1.2
2017	1.1
2018	1.0
2019	0.6

VALUE OF DIRECT ENTRY PAYMENTS
($ Trillions)

Direct Debits / Direct Credits

Year	Direct Debits	Direct Credits
2015	5.7	8.4
2016	5.9	8.7
2017	6.1	9.2
2018	5.5	9.1
2019	2.7	7.4

NUMBER OF ATMS

Year	Value
2015	31,829
2016	32,156
2017	32,095
2018	30,940
2019	28,797

Source: Reserve Bank of Australia

Source: Reserve Bank of Australia

Source: Australian Payments Network

PROMOTING INNOVATION

Changes in technology continue to accelerate and impact consumer behaviour. Secure payments innovation is critical to delivering the best outcomes for all payments system users.

SECURE INNOVATION

Access to secure payments

Australia stands out with the highest penetration of point-of-sale (POS) terminals. At 30 June 2019, cardholders had access to 981,244 POS devices – around 1 POS terminal for every 25 Australians – and 28,797 ATMs.

Prior to use, POS terminals, ATMs and other card-accepting solutions must undergo AusPayNet's device approval process to ensure the security of cardholders' sensitive data. The vast majority of new devices are assessed through our standard device approval process, however, in some areas, technology is evolving very fast. To support secure innovation, we introduced a certification program for non-standard technologies in 2018. This program ensures minimum security requirements are met, prior to the availability of finalised international standards. This year, we assessed more than 100 terminals and solutions.

Consumers expect convenience and security and modern technology delivers both.

Fair access for all users

Touchscreen technology has the potential to create challenges for a growing number of Australians living with disability. In January 2019, we initiated work to develop best practice industry guidelines that balance security and privacy requirements with an accessible solution for entering PINs on touchscreen devices. We have consulted widely with individuals with lived experience of disability as well as peak industry advocacy bodies for people with disability to better understand their views. This involved workshops, direct interviews and an online survey with over 250 stakeholders taking part. The accessibility guidelines will be released in December 2019.

Better merchant experiences

New point-of-sale (POS) solutions are enabling smaller merchants to accept card payments using off-the-shelf devices, such as a smartphone or tablet, rather than terminals. To ensure the security of these solutions, we contributed to the development of PCI's Software PIN on Commercial Off-the Shelf (COTS) (SPoC) standard and the soon to be released Contactless on COTS (CPOC) standard. Effective 1 January 2019, acquirers are able to support SPoC solutions that accept EMV payments, approved by AusPayNet's evaluation process.

Enabling innovation

We assess the likely impact of emerging technologies at an industry-wide level through our Emerging Technologies Experts Group (ETEG). A broad set of members contribute to the evaluation of technology, with the goal of proactively supporting scalable and sustainable innovation. Current topics under discussion include authentication, privacy in payments, bring-your-own-device and artificial intelligence (AI).

AI offers great opportunities to streamline customer experiences and tailor service offerings. Alongside this, it is important to ensure automated decision-making is appropriately transparent and explainable. The opportunities and challenges for payments were highlighted in our submission to Data61's Discussion Paper, *Artificial Intelligence, Australia's Ethics Framework*, in May 2019, and in our response to Standards Australia's Discussion Paper, Developing Standards for *Artificial intelligence: Hearing Australia's Voice* in August 2019. Going forward, AusPayNet will participate in Standards Australia's work on AI to ensure its ethical adoption.

Payment choice on transport

We continued to support Transport for NSW in the roll-out of open loop contactless payments. This gives customers the option of using their debit card, credit card, or linked device such as a smartphone or wearable to tap on and off public transport in the Opal network. Contactless payment cards can now be used across all modes of public transport in Sydney, the Blue Mountains, the Central Coast, the Hunter and the Illawarra regions.

In collaboration with transport authorities, we further updated the Open Loop Contactless Transport Framework initially developed with Transport for NSW in 2017, releasing Version 3.5 in July 2019. The scope of the Framework has also been expanded to include eftpos, Discover/Diners Club and UnionPay scheme rules. We are now preparing Version 4, which is scheduled for release at the end of 2019, and will include additional topics including Mobility as a Service.

Consumer Data Right

In August 2019, we saw the introduction and passage of the *Treasury Laws Amendment (Consumer Data Right) 2019 Act*, providing the legal basis for the Consumer Data Right (CDR). The CDR will first be implemented in the banking sector, with a start date of February 2020 for Australia's four largest banks (ANZ, CBA, NAB and Westpac) to begin sharing consumer data. Open banking presents new opportunities for consumer driven innovation. Our CEO, Andy White, has contributed to the development of open banking as a member of the Advisory Committee helping the Data Standards Body design and develop technical standards.

EFFECTIVE SELF-REGULATION

Confidence and trust in the payments system is delivered through effective self-regulation. This includes fraud prevention, standards development, managing the payments rails and shaping policy.

FRAUD PREVENTION

CNP Fraud Mitigation Framework

Consumers and merchants are embracing online payments. RBA statistics show that in 2018 the total value of domestic ecommerce transactions increased by 27%. With e-commerce transactions growing strongly, and chip technology providing protection for in-person transactions, fraud continues to migrate online. The rate of increase, however, is slowing. Card-not-present (CNP) increased by 2.4% in 2018, compared to 13.9% in 2017, and still accounts for 85% of all fraud on Australian cards. These trends and industry fraud prevention methods are further explained in AusPayNet's 2019 Australian Payment Card Fraud Report.

The Framework is designed to build consumer trust and support continued growth in e-commerce.

Throughout the year, we worked closely with the e-commerce community to finalise the CNP Mitigation Framework drafted last year. The Framework clearly outlines actions and responsibilities across the e-commerce community for reducing CNP fraud and sets fraud thresholds that define acceptable levels of risk for both issuers and merchants. Issuers and merchants operating with fraud rates above the set fraud thresholds will be required to perform Strong Customer Authentication (SCA), subject to exemptions for lower

risk transactions. The Framework was implemented on 1 July 2019 and is enforced through AusPayNet's Issuers and Acquirers Code Set (rules).

Identity fraud and scams

As our world becomes increasingly digital, identity theft and scams are a growing global challenge for the community, industry and government. In June 2018, AusPayNet's Fraud in Banking Forum established a working group to focus on customer education about these types of frauds and protecting victims. This year, the working group agreed on a consistent response to effectively support victims, based on new guidelines.

Trust online

With the goal of improving the security and convenience of online transactions for individuals and businesses, the Australian Payments Council brought together a diverse set of participants to create a trust framework. Representatives from the financial services, retail, telecommunications and public sector created the TrustID framework, designed to enable interoperability between a wide range of competing service providers.

Consumer Online Spending

up **27%**
2018

up **14%**
2017

STANDARDS DEVELOPMENT

Shaping global standards

AusPayNet is at the frontline of standards development as a participant on global standards bodies, ISO, PCI EMVCo, Fast IDentity Online Alliance (FIDO), World Wide Web Consortium (W3C) as well as Standards Australia to ensure the security of card payments. In January 2019, AusPayNet was selected as one of 29 board members to join the Board of Advisors of the PCI SSC and was in attendance at the March and June 2019 meetings held in Geneva and Boston respectively. Representing our members, this year we also participated in global standard development meetings held in Berlin, Toronto, Los Angeles and Chicago. The standards committees and bodies we participate on are listed below.

Supporting the shift to software solutions

Drawing on the expertise of a range of vendors, issuers and acquirers, and other services providers, we reviewed the AusPayNet Security Control Module (SCM) specification to future-proof card security. This work leveraged our ISO knowledge, referencing ISO 20038 as the relevant standard. The upgraded specification includes encryption algorithms and security functions that support POS solutions running on COTS devices like smartphones and tablets (see page 13). We expect to release the revised SCM specification in early 2020.

We represent industry on domestic and global standards bodies.
ISO/TC68 Financial Services
ISO/TC68/SC2 Financial Services Security
ISO/TC68 Financial Services/Working Group 7 – ISO 20022
ISO/TC68 Financial Services/Technical Group 1 – ISO 20022
ISO/ TC68/SC2/Working Group 11
ISO/TC68/SC2/Working Group 13
ISO/TC307 Blockchain and Distributed Ledger Technologies
ISO20022 Registration Management Group
Standards Australia Committee IT/5
SWIFT Australian National Member Group
SWIFT Australian User Group
Payments Card Industry Security Standards Council (PCI SSC) (Affiliate member)
PCI SSC Mobile Working Group
PCI SSC PIN Assessment Working Group
PCI SSC PIN Transaction Security Working Group
PCI SSC Software Security Working Group

MANAGING THE PAYMENTS RAILS

AusPayNet manages frameworks that underpin the billions of payments made by consumers and businesses each day. We do this through management committees of member representatives, sub-committees and working groups; more than 200 meetings were held during the year to progress their work. Following is a summary of the key focus areas.

Cheques
Australian Paper Clearing System

Cheque use is declining at record rates as customers continue to choose digital payment methods. The industry is working to ensure that those consumers and sectors that still use cheques can transition to digital alternatives. Financial institutions are actively promoting awareness of alternative payment options, and AusPayNet has initiated an advocacy program to promote payment method neutrality in legislation, and other rules and guidelines.

Direct Entry
Bulk Electronic Clearing System

Automation of interbank processes to increase operational efficiency has continued this year. It is likely that further significant enhancements to BECS will now be limited as the industry considers the long-term future of the direct entry system. Over time, some direct entry traffic is expected to migrate to other channels.

Payment Cards
Issuers and Acquirers Community

In preparation for implementation, the IAC focused on finalising the CNP Fraud Mitigation Framework and integrating the Framework into the IAC Code Set (rules). The Framework took effect on 1 July 2019. Other priorities this year included reviewing the IAC Code Set and overseeing development of accessibility guidelines.

High Value
High Value Clearing System

Industry is firming up plans for the migration of SWIFT cross border payments to ISO 20022, and the RBA's planned migration to ISO 20022 of the RTGS system (RITS), which will be a key focus in future years. During the year, working closely with members and the RBA, we reviewed the HVCS contingency arrangements to improve resilience.

Cash
Australian Cash and Distribution Exchange System

Supporting the RBA's introduction of new bank notes continues to be a focus area for the industry, with four denominations in circulation ($5, $10, $20 and $50) as of October 2019. This project will conclude during 2020 with the issuance of the new $100 note. The new series of banknotes will ensure that we continue to have among the most secure currencies in the world.

COIN
Infrastructure

As resilience receives renewed focus, we are reviewing the architecture and services for the industry Community of Interest Network (COIN) to ensure that they remain fit for purpose. This work will continue in the coming year.

One of our core roles is ensuring that the payments rails continue to meet the existing and future needs of all.

Modernising our Frameworks

Adaptability is an important feature of a modern payments system. This year, we undertook a governance review of our largest and newest framework, the IAC Regulations and Code Set (rules) for payment cards.

Our review highlighted that the existing strengths, including the fact that the Code Set operates under overarching principles, enable flexibility in a rapidly changing landscape. Additionally, the following changes to governance are to be applied:

- Move IAC committees to principles-based decision making

- Streamline the Code Set amendment process

- Employ technology solutions to increase efficiency

These initiatives are being progressed through IAC committees and are expected to be effective early 2020.

A blueprint for the future

We are developing a roadmap for the future state of Australia's payments system. The roadmap will build on the Australian Payments Council's (APC) work, outlined in *Payments in a Global, Digital World*, and be informed by the RBA and APC joint consultation on migration of RTGS to ISO 20022. Among other things, we will consider Australia's changing payments mix, relevant developments overseas, for example in the UK and Europe, and the strategic roadmaps of payment systems operators. We envisage consulting on the roadmap before the end of 2019.

POLICY

A self-regulatory approach is firmly embedded in the way we work and helps deliver better outcomes for all payments system users.

Over the last 12 months, we have provided input to Government on its reform agenda in financial services. Following the conclusion of a range of inquiries in 2018, including the Productivity Commission's report *Competition in the Australian Financial System*, the focus is now on implementing a number of the recommendations. In some cases, this has led to more detailed reviews and consultations.

These ongoing inquiries touch on a number of themes within the payments industry – including ensuring access for new entrants, encouraging innovation and ensuring appropriate protections for vulnerable customers and the community.

Key initiatives

ePayments Code

AusPayNet is working with a wide range of members to provide input to ASIC's review of the ePayments Code, which outlines protections for consumers. The voluntary Code was most recently substantively reviewed in 2011, and is being updated to ensure it continues to be effective and relevant.

We support changes to the Code to bring it in line with developments in technology, operating models and changes in the way customers pay.

We have also highlighted the need for clarity regarding liability and timeframes for unauthorised transactions, as well as the requirement to ensure a shared understanding with respect to mistaken internet payments.

Stored Value Facilities

Through the consultation on Stored Value Facilities (SVFs), the Council of Financial Regulators (CFR) is seeking to identify opportunities to simplify the regulatory framework for SVFs while maintaining appropriate levels of consumer protection and system-wide safety. Pointing to international examples, we have highlighted the value of exploring a graduated framework that offers temporary relaxation of requirements for new entrants within a restricted environment, for testing purposes. Such a model would be consistent with APRA's restricted ADI licensing framework and ASIC's Regulatory Sandbox.

Assisting new entrants

In late 2018, we finalised a significant piece of research looking at the views and attitudes of new entrants to the payments system. This involved a market survey and workshops with regulators and fintechs.

Our findings identified that a clear and practical guide would help new entrants and those looking to offer payment services better navigate the interdependencies within the payments system. This guide is being developed by AusPayNet.

LEADERSHIP IN COLLABORATION

We bring participants together to unpick what's at the core of delivering the best outcomes for all users, and to identify areas for collaboration. Building on this, participants tailor highly competitive offerings to meet customer needs.

PROMOTING COLLABORATION

Working closely with regulators

Close liaison with regulators and government bodies is critical to delivering better customer outcomes. We have an ongoing relationship with the RBA, which includes formal liaison arrangements with their Policy department, and also liaise with The Treasury, the Digital Transformation Agency (DTA) and the Productivity Commission on issues of payments policy. Public regulators we work with include the Australian Prudential Regulatory Authority (APRA), the Australian Securities and Investment Commission (ASIC) and the Australian Competition and Consumer Commission (ACCC).

Bringing all stakeholders along is critical to delivering payments improvements.

Member Engagement

Our member engagement strategy provides ongoing initiatives to strengthen bonds, share knowledge and collectively develop a broader understanding of the opportunities and challenges facing the Australian payments landscape. The diverse and dynamic nature of the industry is reflected in our growing membership. This year, we were delighted to welcome eight new members: Australia's new digital bank Xinja Bank, and the Northern Trust Company as Participant members; Google Payment Australia, Royal Australian Mint and UnionPay International as Operator members; Pin Payments and Rambus Global as Affiliate members; and Fuji Xerox Business Force as a COIN member.

Member satisfaction survey

Our annual member survey is an important tool for gaining feedback and for informing our work. This year's overall satisfaction rating was 90.7% (slightly up from 89.4%in 2018), setting a high benchmark for the

coming year. Members highlighted their alignment with our strategic focus on managing the payments mix, cyber security & emerging technology, and proposed improvements to support faster decision-making.

Collaboration to combat fraud

The implementation of the CNP Fraud Mitigation Framework on 1 July 2019 (see page 16) is the culmination of 18 months of collaboration across the e-commerce community. This initiative brought together a wide range of stakeholders including merchants and merchant advocacy groups, payment gateways, issuers and acquirers, card schemes, payment service providers, consumer advocacy groups and regulators. The consultation process involved numerous member sessions and workshops, and options to provide written feedback. More than 300 comments were received to our formal consultation in September 2018. We continue to work closely with the e-commerce community and with peak retail bodies such as the Australian Retailers Association and NORA.

Fighting financial crime

Through AusPayNet's Fraud in Banking Forum, financial institutions, law enforcement and the Australian Financial Crime Exchange collaborate to fight financial related crimes. In October 2018, members welcomed the Financial Coalition Against Child Pornography Australian Working Group as a subgroup of the FBF. This group works collaboratively with national and international organisations and law enforcement to disrupt the economics of child sexual abuse. Three meetings were held this year and we look forward to further supporting the group in the coming year.

Payments in a Global Digital World

As secretariat to the Australian Payments Council, we facilitated a public consultation with the goal of identifying key strategic issues that will ensure that as the payments system evolves it continues to meet key

requirements of resilience, stability, adaptability and accessibility. As a result of this consultation, the APC published its strategic agenda, Payments in a Global Digital World in June 2019. The agenda identifies five key areas that will form the basis of the APC's focus: systemic resilience; combatting financial crime; financial inclusion and accessibility; interoperability; and sustainable innovation.

Events and forums

Our member events provide a collaborative forum for us to consider important trends and their impact. This year, we held sessions on Open Data in September 2018, Blockchain and Distributed Ledger Technologies in October 2018 and Combatting Financial Fraud in March 2019.

With SIBOS, the world's premier financial services event, held in Sydney in October 2018, we took the opportunity to bring members and international payments experts together to discuss the impact global digital platforms are having on the payments landscape. This topic was further explored at our 2018 Summit held on 26-27 November in cooperation with Currency Research, which brought together more than 250 participants. In exploring "Payments in the Platform Economy", common themes to emerge included improving the customer experience, open banking, trust, and competition and innovation.

Our Summit

Building on the success of the 2017 and 2018 summits, this year we are holding our summit on 10 December 2019 in Sydney. The Summit's theme Payments – the Key to the Best Customer Outcomes – captures what's front of mind for industry, regulators and innovators, and what's at the heart of everything we do. We are delighted to have the RBA Governor, Philip Lowe, as our keynote speaker and other market experts to lead discussions, host roundtables and participate in 'The Big Debate'. The success of our summits is directly attributable to the continued support of our members, regulators, and the wider payments community. We thank them and invite all with an interest in payments to join us for our 2019 Summit.

Communicating with stakeholders

Bringing all stakeholders along and creating support for industry work is critical to delivering payments improvements. Our communications and stakeholder engagement strategy outlines our approach to building connections with an increasingly diverse range of stakeholders. Activities include fortnightly blogs, e-newsletters, regular publications and market insights covering topics that have local and international relevance. We have increased our use of social media, and the number of visitors to our website continues to grow steadily.

BOARD OF DIRECTORS

Under the leadership of an independent chair, the Board has 13 members comprising independent directors, the CEO, and non-executive directors appointed or elected by AusPayNet members.

The independent directors have substantial voting rights to ensure public interest and broader community benefits are effectively represented.

There were two changes to the Board during the year. Andy White was appointed to the roles of CEO and executive director in March 2019, following the resignation of Leila Fourie in February 2019. Long-serving director David Jay stepped down from the Board in April 2019 after serving nine years and was replaced by Mark Tibbles. The names of the directors in office as at 30 September 2019 follow.

Robert Craig, Chair
BSC (HONS), BCA, MAICD

Chief Operating Officer, icare

Appointed in January 2014 as an independent director and AusPayNet Chair. Mr Craig also serves as Chairman and member of the Remuneration Committee.

Paul Franklin, Deputy Chair
BSC, MCOM, EMBA, FFINSIA, GAICD

General Manager Payments, NAB

Appointed as a non-executive director by NAB in October 2017 and as Deputy Chair by the Board in May 2018.
Mr Franklin serves as Chairman of the APCS Management Committee and the Nomination Committee.

Andy White, CEO
BA [HONS], MA [OXON], GAICD

CEO, AusPayNet

Appointed as CEO and an executive director of AusPayNet in March 2019.
Mr White serves as Member of the Audit, Risk and Finance Committee, the Remuneration Committee and the Australian Payments Council.

Chris Campbell
BSC (HONS), BCA, MAICD

Head of Payments Policy and Strategy, Westpac Group

Appointed as a non-executive director by Westpac in April 2003.
Mr Campbell serves as Chairman of the COIN Management Committee, and member of the Audit, Risk and Finance Committee, the Remuneration Committee and the Policy Experts Group.

Jennifer Clark
FAICD

Deputy Chair of the Australian Maritime Safety Authority

Appointed as an independent director in June 2014.
Ms Clark serves as Chair of the Policy Experts Group, and member of the Audit, Risk and Finance Committee and the Remuneration Committee.

Jackie Kallman
BPSYCHSC (HONS)

Head of Payments Industry, ANZ

Appointed as a as a non- executive director by ANZ in April 2018.
Ms Kallman serves as Chair of the HVCS Management Committee, and member of the Policy Experts Group.

Kees Kwakernaak
MSC, MAICD

Managing Director,
First Data Network Australia

Appointed as a non-executive director by Electing Members in October 2016.
Mr Kwakernaak serves as Chairman of the ACDES Management Committee, the Next Generation Banknotes Support Steering Committee, and member of the Nomination Committee.

Olivia McArdle
BCOMM (ACCOUNTING & LAW), MBA, CA, MAICD

Head of Deposits and Payment Products, Macquarie Bank Limited

Appointed as a non-executive director by Electing Members in November 2017.
Ms McArdle serves as Member of the Audit, Risk and Finance Committee and the Remuneration Committee.

Lynda McMillan
MBUS, GAICD

Head of Payments Representation, Retail Banking Services, CBA

Appointed as a non-executive director by the CBA in April 2018.
Ms McMillan serves as Chair of the Fraud in Banking Forum.

Michelle McPhee
BBUS (HONS), GAICD

Head of Banking, RBA

Appointed as a non-executive director by the RBA in February 2017.
Ms McPhee serves as Chair of the Audit, Risk and Finance Committee, and member of the Nomination Committee and the Remuneration Committee.

Kate Mulligan
BA, LLB(HONS), MAICD

Managing Director, King Irving

Appointed as an independent director in June 2014.
Ms Mulligan serves as Chair of the Issuers and Acquirers Forum.

Mark Tibbles

Acting Chief Executive Officer,
Australian Settlements Limited

Appointed as a non-executive director by Building Society Members in April 2019.

Derek Weatherley
BCOMM, MACC, GAICD

Chief Executive Officer,
Indue Limited

Elected as a non-executive director by Credit Union Members in April 2018.
Mr Weatherley serves as Chairman of the BECS Management Committee.

GOVERNANCE FRAMEWORK

The AusPayNet Board is responsible for setting the company's strategic direction and corporate governance.

Chair and CEO

The current Chair, Robert Craig, was appointed in January 2014 and is an independent voting director. The CEO is charged with implementing Board endorsed strategy and managing the day to day affairs of the company. The CEO is a board-appointed, non-voting, executive director.

Board Committees

The Board has established a management committee for each AusPayNet framework including its clearing systems, Issuers and Acquirers Community, and infrastructure system (COIN). Acting under delegated authority from the Board, management committees are responsible for the efficient operation and management of each framework. Specialised sub-committees are also established under certain frameworks to address technical and operational issues requiring subject matter expertise.

The Board has also established the following committees to assist in managing the company's affairs:

• Audit, Risk and Finance Committee: reviews the company's internal financial practices, budget and external and internal audit results and monitors the effectiveness of the company's financial controls, administrative policies and risk management practices.

• Nomination Committee: supports the Board on matters relating to the eligibility, appointment and election of directors.

• Remuneration Committee: establishes remuneration policies and practices for the company generally and recommends remuneration levels and contractual arrangements for the CEO, independent chair and independent directors.

Board Charter, Code of Conduct and Induction

The Board carries out its functions and exercises its powers in accordance with the Board charter, which sets out its role and responsibilities. The charter is supplemented by various board policies including a conflicts management policy, a competition protocol and a Code of Conduct, which all directors and management committee members must comply with, and which is designed to ensure high standards of ethical and professional conduct and compliance.

The Board reviews the charter and other policies regularly. An induction program for newly appointed board members provides an overview of AusPayNet's governance and policy framework and operations, as well as an understanding of their role and responsibilities.

Reserve Bank of Australia

As a participant in payment systems, the RBA has been a member of AusPayNet since its inception in 1992. The RBA has appointed a director to the AusPayNet Board, in accordance with its rights under the AusPayNet Constitution. Additionally, since May 2007, the RBA and AusPayNet have been liaising on payments policy issues under an agreed set of procedures which have been set out in a Memorandum of Understanding, which includes senior staff of the RBA consulting with AusPayNet on a regular basis on issues of common interest. This ensures continued close cooperation between the RBA and AusPayNet.

Risk Management

AusPayNet has put in place a risk management framework which the Board oversees. Key risks and risk appetite are regularly reviewed, and the risk framework is submitted to both internal and external review.

OUR TEAM

Our Executive Committee is responsible for leading the
AusPayNet team in delivering on strategic objectives.

ANDY WHITE, CEO

Nancy Bryla
General Counsel

Corporate Governance

Framework and Core
Systems Governance

Legal Advice and
Guidance

Regulatory Compliance
and Engagement

Lynette Hickey
Chief Financial Officer

Financial Management,
Forecasting and Reporting

Strategic Financial
Planning

External Audit, Taxation
and Compliance

Risk Management,
Insurance and
Internal audit

Victoria Richardson
Chief Strategy Officer

Payments Innovation and
Emerging Technology

Industry Policy and Strategy

Communications and
Marketing

Australian Payments
Council Secretariat

Luke Wilson
Chief Operating Officer

Member Services and
Engagement

Compliance, including
Standards

Project Management

Technology

OUR TEAM CONT.

Engaging our people

A connected, aligned and engaged staff is critical to delivering on our corporate strategy. Our people are our most valuable resource, and we are continuously working towards creating a culture where they can thrive. We measure our progress via an annual engagement survey covering the key areas of employee satisfaction, commitment and advocacy. This year's survey showed increases in all key metrics: engagement, alignment and leadership.

Fulfilling our potential

This year, we implemented a new performance and development program that aligns individual goals to our corporate strategy. This has provided an enhanced forum for ongoing conversations around performance, career goals and personal development.

Balancing priorities

To promote workplace flexibility and support our staff, we reviewed our flexible work arrangements and parental leave guidelines, making them more inclusive and accessible for all employees. This year, we supported flexible working arrangements for 82% of our staff. We also proudly supported our first father to take primary carer's leave. As our employee demographics and needs shift we will continue to look for opportunities to create an inclusive workplace for all our employees. We also introduced a psychological wellbeing and mindfulness program in March 2019, which, 74% of employees have participated in.

Our values

In March 2019, we started work on developing core values which involved working closely with employees and key stakeholders to better understand their perspective. Our new core values have been introduced internally, and we look forward to embedding them in the coming year.

MEMBERSHIP

AusPayNet has 132 member organisations including participant members, operator members, COIN members and affiliates.

We thank them all for their support and contributions.

PARTICIPANT MEMBERS

Adyen Australia Pty Limited ●
Agricultural Bank of China Limited
AMP Bank Limited
Arab Bank Australia Limited
Australia and New Zealand Banking Group Limited ●
Australia Post
Australian Military Bank Ltd
Australian Settlements Limited
Australian Unity Bank Limited
Auswide Bank Ltd
B&E Ltd trading as Bank of Us
Bananacoast Community Credit Union Ltd
Bank Australia Limited
Bank of America, National Association
Bank of China
Bank of China (Australia) Limited
Bank of Communications Co., Ltd Sydney Branch
Bank of Queensland Limited
Bank of Sydney Ltd
Bendigo and Adelaide Bank Limited
Beyond Bank Australia Limited
BNP Paribas
BNP Paribas Securities Services
Capricornian Ltd
China Construction Bank Corporation, Sydney Branch
Citibank N.A.
Citigroup Pty Limited
CLS Bank International
Coles Group Limited ●
Commonwealth Bank of Australia ●
Community First Credit Union Limited
Credit Union Australia Limited
Cuscal Limited ●
Defence Bank Limited
Delphi Bank (a division of Bendigo and Adelaide Bank Ltd)
Deutsche Bank AG
EFTEX Pty Limited
Endeavour Mutual Bank Ltd

First Data Network Australia Limited ●
G&C Mutual Bank
Gateway Bank Ltd
Greater Bank Limited
Heritage Bank Limited
Holiday Coast Credit Union Limited
Hong Kong and Shanghai Banking Corporation Limited - Australian Branch
HSBC Bank Australia Limited
Hume Bank Limited
IMB Ltd
Indue Ltd
Industrial and Commercial Bank of China Limited
ING Bank (Australia) Limited (trading as ING)
ING Bank NV (Sydney Branch)
JPMorgan Chase Bank, National Association
LCH Clearnet Limited
Macquarie Bank Limited
Maitland Mutual Limited
Mega International Commercial Bank Co, Ltd
Members Banking Group Limited trading as RACQ Bank
Members Equity Bank Pty Limited
Mizuho Bank, Ltd
MUFG Bank, Ltd
MyState Bank Limited
National Australia Bank Limited ●
Newcastle Permanent Building Society Ltd
Northern Trust Company, The Oversea-Chinese Banking Corporation Limited
Police & Nurses Limited trading as p&n Bank
Police Bank Limited
QPCU Limited
Queensland Country Credit Union Limited
Rabobank Australia Limited
Rabobank, Australia Branch

(Co-Operative Centrale Raiffeisen-Boerenleenbank B.A.)
Railways Credit Union Limited trading as MOVE Bank
Regional Australia Bank Limited
Reserve Bank of Australia ●
Royal Bank of Canada
Southern Cross Credit Union Ltd
Standard Chartered Bank
State Bank of India
State Street Bank and Trust Company
Sumitomo Mitsui Banking Corporation, Sydney Branch
Summerland Credit Union Ltd
Suncorp-Metway Limited ●
Taiwan Business Bank, Sydney Branch
Teachers Mutual Bank Limited
Tyro Payments Limited ●
UBS AG, Australia Branch
United Overseas Bank Limited
Uniting Financial Services
Unity Bank Limited
Victoria Teachers Limited, trading as Bank First
Volt Bank Limited
Warwick Credit Union Ltd
Westpac Banking Corporation ●
Windcave Pty. Limited ●
Woolworths Group Limited ●
Xinja Bank Limited

OPERATOR MEMBERS

American Express Australia Limited
Austraclear Limited
BPAY Group Limited ●
Diners Club Australia Pty Ltd
eftpos Payments Australia Limited ●
Google Payment Australia Pty Ltd
Mastercard Asia/Pacific (Australia) Pty Ltd
NPP Australia Limited
PayPal Australia Pty Ltd
Royal Australian Mint

S.W.I.F.T. Services Australia Pty Limited
UnionPay International Co., Ltd.
Visa AP (Australia) Pty Ltd

COIN MEMBERS

A2B Australia Limited
First Data Resources Australia Limited
Fuji Xerox Businessforce Pty Ltd
Genpact Australia Pty Ltd
Property Exchange Australia Limited (PEXA)
Transaction Network Services Australia Pty Ltd

● *Also a COIN member*

AFFILIATES

Advam Pty Ltd
Cardtronics Australasia Pty Ltd
Diebold Nixdorf Australia Pty Limited
Gemalto
Giesecke & Devrient Australasia
IBM Australia Limited
Ingenico International (Pacific) Pty Ltd
NCR Australia Pty Ltd
Optus
Quest Payment Systems Pty Ltd
Rambus Global Inc
Southern Payment Systems Pty Ltd (trading as Pin Payments)
Thales
Threatmetrix Pty Ltd
UL Transaction Security
Verifone Pty Ltd

Members as at 30 September 2019

GLOSSARY

ACDES	Australian Cash Distribution and Exchange System
AI	Artificial Intelligence
APC	Australian Payments Council
APCS	Australian Paper Clearing System
APRA	Australian Prudential Regulation Authority
BECS	Bulk Electronic Clearing System
Blockchain	A distributed ledger
CNP	Card-not-present
COIN	Community of Interest Network
Digital ID	Digital Identity
Direct Entry	Payments system for direct debits and direct credits
EMV	Europay, MasterCard, and Visa
Fintech	Collaboration between financial services companies and technology innovators
HVCS	High Value Clearing System
IAC	Issuers and Acquirers Community
ISO	International Organization for Standardization
NPP	New Payments Platform
OPAL	NSW public transport ticketing system
PCI	Payment Card Industry
PCI SSC	PCI Security Standards Council
POS	Point-of-sale
QR Codes	Quick Response Codes
RBA	Reserve Bank of Australia
SWIFT	Society for Worldwide Interbank Financial Telecommunications