

Meeting the challenge

# ANNUAL REVIEW





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This Annual Review is designed to provide our members and stakeholders with an overview of developments and achievements in financial year 2019-2020. References in this report to a year are to financial year ended 30 June 2020 unless otherwise stated. We hope you enjoy discovering more about your association.

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Glossary

# Australian Payments Network is the industry association and self-regulatory body for payments.

Through our network, we bring together a diverse range of organisations including financial institutions, major retailers, payment system operators and technology providers.

Our members provide the products and services that enable individuals and public and private organisations to make and receive payments every day.

Delivering on our purpose to promote confidence in payments, we work with a wide range of stakeholders to ensure the payments system continues to meet the evolving needs of organisations and individuals.

As the self-regulatory body for payments our remit covers the following payment types.



**Cards**  
Issuers and  
Acquirers  
Community



**Direct entry**  
Bulk Electronic  
Clearing System



**High value**  
High Value  
Clearing System



**Cash**  
Australian Cash  
Distribution and  
Exchange System



**Cheques**  
Australian  
Paper Clearing  
System

Additionally, AusPayNet's COIN infrastructure network provides connectivity for low value payments.



# Meeting the Challenge

In its latest update the RBA's Payments System Board noted that "payment system operators and retail payment service providers have continued to cope well with the operational challenges posed by the [COVID-19] pandemic".

The Reserve Bank of Australia (RBA) Governor has also observed that the payments system's resilience has played an important role in the continued functioning of the economy and commented on the dynamism that can be observed in payments currently.

For AusPayNet, that dynamism was exemplified in the industry rallying to amend the contactless PIN limit from \$100 to \$200 at the beginning of the pandemic, to limit shoppers' physical contact with terminals.

Our industry's dynamism was also evident in the way payments stakeholders came together to create our Card-not-Present (CNP) Fraud Mitigation Framework. Its impact is evident in our recent fraud statistics, published in August this year: in 2019, card fraud fell by 19.5% to \$464 million, the biggest decline ever. Moreover, CNP fraud dropped by 18% to \$403 million.

We know from experience though that as one area of payments fraud becomes harder, criminal groups turn their attention to other areas, as is now evident in the rise in scams. Building on significant effort already underway, we are focused on improving protection of vulnerable customers.

This work on mitigating scams is at the heart of AusPayNet's purpose: confidence in payments. Our three core functions support that purpose: managing the payment streams, governance, and an increasing focus on policy and advocacy.

## Managing the Payments Streams

A very clear message from last year's consultation on the Future State of Australia's Payment Systems was the need for modernisation of those payment systems. To that end, we will support the community through the customer-led decline of cheques.

We will also begin preparatory work for the longer-term transition away from the direct entry system, BECS. While BECS remains the workhorse of the payments system, this is important strategically. The risk otherwise is that legacy infrastructure eventually becomes a cost, not just to financial institutions but to their customers and the wider economy. The 2021 FY will see consultations with BECS Members and direct entry end-users, to begin managing that transition.

In parallel with efforts to address the BECS and cheque systems, AusPayNet will continue to manage migration of the High-Value Clearing System (HVCS) to the ISO 20022 message standard. This is an important strategic opportunity to harmonise messaging with the NPP and so enable the potential for payment flow to be determined by business needs rather than by the messaging infrastructure itself. By increasing overarching redundancy between the high-value and NPP systems, we also improve overall systemic resilience.

At the international level, migrating the HVCS to ISO 20022 brings it into line with the messaging framework used for cross-border payments. Not only does this enable more efficient, lower-risk payments to and from international counterparties, but it allows us to utilise richer, more structured data for improved screening around fraud, scams, KYC, AML and sanctions.



Rob Craig



Andy White

More broadly, in coordination with the Australian Payments Council, which has a wider focus on cross-industry systemic resilience, AusPayNet is working to enhance the payments system's resilience and its crisis-management arrangements.

## Governance

Our governance work over the coming year will be focused on two areas that will shape the future of the payments system.

Firstly, we will use the outcomes from our current consultation on the TrustID Framework to deliver a set of rules that underpin the governance of TrustID. Secondly, as the technology and business models for payments acceptance change, both at point-of-sale and online, we will develop a strategy to ensure positive customer and merchant outcomes around the acceptance – and indeed initiation – of payments. This strategy will balance innovation – in terms of technology and business model – and security, which remains paramount.

In the coming year, AusPayNet will be conducting a review to ensure that our Constitution and governance framework remain fit-for-purpose in a time of accelerated change and as our membership continues to grow and broaden in scope.

## Policy & Advocacy

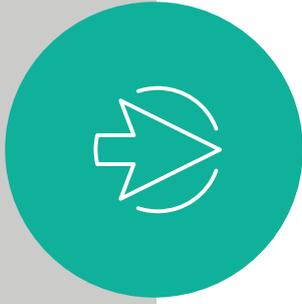
AusPayNet will continue to work with the RBA as it progresses the review of retail payments regulation. As always, our intention is to ensure the appropriate balance between regulation and self-regulation is struck to achieve competition, choice and positive end-user outcomes. This will also be true as we consider the Federal Government's recently announced review of the regulatory architecture applying to the payments system. We will also work closely with ASIC on its review of the ePayments Code with a view to ensuring that our Members have clarity on their obligations and are able to protect their customers effectively.

In this, the most extraordinary of years, we acknowledge our fellow directors, Members, the RBA and other regulators, and all of our stakeholders. We also thank AusPayNet's staff for their dedication and skill at a time of peak workload for the industry. Their commitment and engagement – whether virtual or physical – is vital not only for AusPayNet, but the payments system and wider economy.

**Rob Craig**, Chair

**Andy White**, CEO

# HIGHLIGHTS



Industry responded quickly to COVID-19 including temporarily increasing the contactless PIN limit to help reduce physical contact with terminals.



The CNP Fraud Mitigation Framework, launched on 1 July 2019, is having an early impact on reducing online card fraud. The e-commerce community remains vigilant as volumes increase during COVID-19.



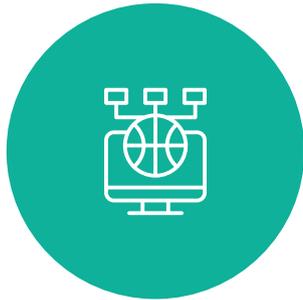
The industry consultation on the future of payment systems informed development of an Action Plan with a focus on modernisation and ensuring system efficiency.



As the appointed central co-ordination body, we are leading the significant industry project to migrate the HVCS to ISO20022 messaging.



Under AusPayNet's approval process, we assessed 76 new card-accepting terminals and solutions and conducted 113 device renewals to ensure the security of card payments.



Three work streams are supporting implementation of the TrustID framework: a governance structure for the framework, accreditation, and a trust mark.



We made submissions to regulators and Government including on the *Review of Retail Payments Regulation*, the *Future Directions for the Consumer Data Right* and *Financial Technology* and *Regulatory Technology* and participated in the Senate Committee's Public Hearing.



Building on the success of previous years, our December 2019 Payments Summit was the biggest ever, bringing together a record number of participants to explore emerging topics.

The accelerated shift to digital payments is clearly reflected in Australia's payments mix.

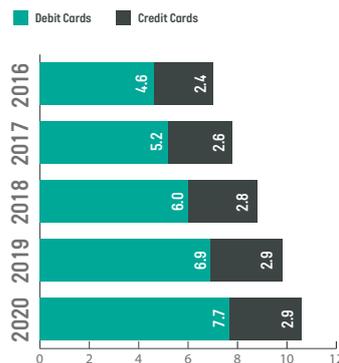


### Cards

Nearly two-thirds of all consumer payments are now made with cards\*. Customers made more than 10.6 billion card transactions this year – up 7.6% on FY 2019. The strong growth of debit card payments has continued during COVID-19. Debit card use increased by 10.5% to 7.7 billion transactions whereas credit card use largely remained steady, increasing by 0.5%. By value, debit card transactions grew by 9.2% to \$364.2 billion outstripping credit card value, which dropped by 3.5% to \$324.3 billion, for the first time ever.

\*RBA 2019 Consumer Payment Survey

#### NUMBER OF CARD PAYMENTS (Billions)



#### VALUE OF CARD PAYMENTS (\$ Billions)



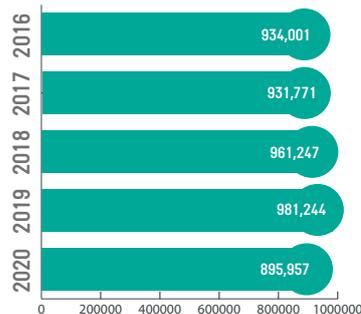
Source: Reserve Bank of Australia



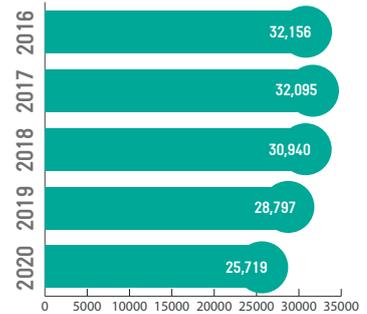
### ATMS and POS devices

The strong consumer preference for card-based payments is enabled by a high number of POS devices - among the highest penetration per capita globally. This year, the number of POS devices fell by 8.7% due to rationalisation of inactive terminals and, to a lesser degree, closure of businesses due to COVID-19. Having progressively declined over the last four years in line with declining cash use, the number of ATMs dropped a further 10.7%, primarily due to removal from locations impacted by COVID-19.

#### NUMBER OF POINT-OF-SALE DEVICES



#### NUMBER OF ATMS



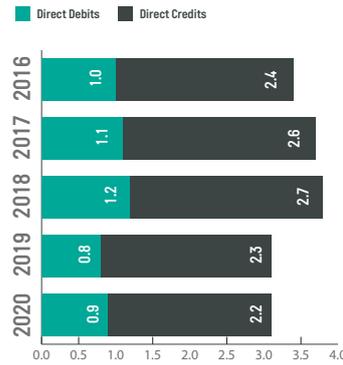
Source: AusPayNet



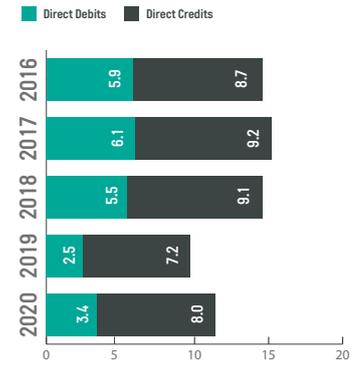
## Direct Entry

The number and value of direct debits grew by 6.5% and 33.5% respectively following a significant drop in all direct entry payments in FY 2019\*. While the value of direct credits increased by 11.0% this year, the number dropped by 1.3%. The RBA's March 2020 Bulletin explains that this decline is likely the result of financial institutions migrating some direct entry payments to the NPP and this is expected to continue. Nonetheless, the system remains the workhorse of the payments system, carrying nearly \$11.4 trillion this year.

NUMBER OF DIRECT ENTRY PAYMENTS  
[Billions]



VALUE OF DIRECT ENTRY PAYMENTS  
[\$ Trillions]



\* A break in the data series occurred in 2019 due to change in the RBA's method of statistical collection.

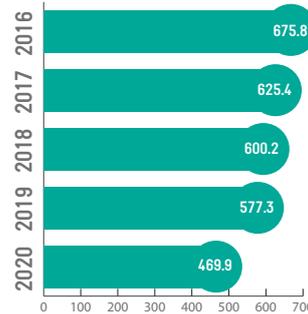
Source: Reserve Bank of Australia



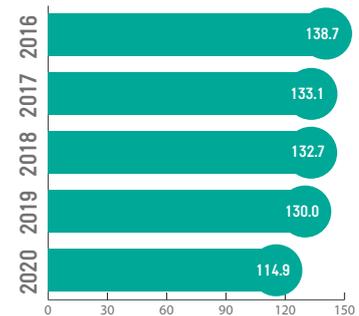
## Cash

The accelerated shift to digital payments during COVID-19 can be seen in the sharp decline in ATM withdrawals. Following the 4.0% drop in FY 2019, ATM withdrawals fell by 18.6% this year, down to 469.9 million. The value of ATM withdrawals also dropped by double digits [11.1%] for the first time, down to \$114.9 billion. It is predicted that those who are using less cash are likely to continue choosing digital payments after the pandemic is over.

NUMBER OF CASH WITHDRAWALS  
[Millions]



VALUE OF CASH WITHDRAWALS  
[\$ Billions]



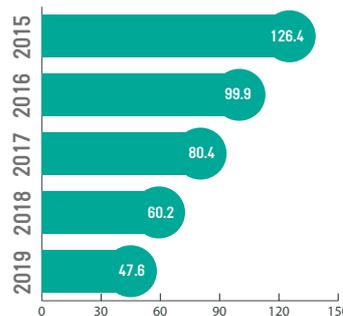
Source: Reserve Bank of Australia



## Cheques

Cheque use has been declining for more than a decade, and by around 20% annually over the last four years. Continuing the trend, this year cheque use dropped by 21% to 47.6 million – almost a third of the number used in FY 2015. Having dropped a staggering 35.0% in FY 2019, cheque values dropped by another 28.6% this year to \$467 billion. This ongoing decline reflects the many alternative digital options now available for large value payments e.g. PEXA for property settlement.

NUMBER OF CHEQUE PAYMENTS  
[Millions]



VALUE OF CHEQUE PAYMENTS  
[\$ Trillions]



Source: Reserve Bank of Australia

# OUR YEAR IN REVIEW

1

## Managing the payment streams

*The customer preference for faster, data rich payments with 24/7 availability is driving modernisation and efficiency gains.*

### RESPONDING TO OUR ENVIRONMENT (COVID-19)

- Acceleration of trends and changes to consumer behaviour
- Temporary increase in contactless limit
- Clarification around chargebacks
- Assisting members through process adjustments

### MIGRATION TO ISO 20022 MESSAGING

- Central coordination authority for migrating HVCS messaging
- Governance structure established
- First of four phases - planning and design phase - currently underway

### FUTURE STATE OF PAYMENTS

- Consultation on the future state of payments
- Focus on modernisation and operational efficiency
- Managing the consumer-led decline of cheques
- Action Plan published in August 2020

### SECURE INNOVATION

- 76 new terminals and solutions assessed
- New Mobile-POS 'tap to phone' solution approved
- PCI's Contactless Payments on COTS standard adopted

### PAYMENTS SYSTEM OPERATIONAL RESILIENCE

- Working with RBA and APRA on retail payment incidents reporting
- Supporting APC in work on improving cross-sector system resilience
- Review of the technology underpinning the COIN

# 2

## Governance

*Through self-governance, we are able to balance innovation and security to promote competition and deliver efficient outcomes.*

### PREVENTING PAYMENTS FRAUD

- Implementation of the CNP Mitigation Framework
- Significant drop in annual card fraud including CNP fraud
- Expanded focus on scams and identity fraud

### TRUST ONLINE

- Progressing work on the TrustID framework
- Consultation on governance arrangements
- Development of robust accreditation processes and trust mark

### EMERGING TECHNOLOGY

- Authentication principles, AI and QR codes workshops
- Collaboration with Standards Australia on AI

### ACCESSIBILITY AND INCLUSIVITY

- Close engagement with disability community
- Guidelines for Accessibility in PIN Entry on Touchscreen Terminals

### SHAPING GLOBAL AND LOCAL STANDARDS

- Development of global and Australian standards
- Hosted two ISO Working Groups
- PCI SSC Asia-Pacific Community Meeting in Melbourne

### ONGOING EFFECTIVE SELF-GOVERNANCE

- Ensuring self-governance approach remains fit for purpose
- Review of AusPayNet's constitution

# 3

## Policy and Advocacy

*Interacting with our stakeholders is the essence of everything we do and vital for supporting our policy and advocacy initiatives.*

### SHAPING FOUR KEY POLICY AREAS

- Self-Regulation [RBA's Review of Retail Payments Regulation]
- Consumer Protections [ASIC's e-Payments Code]
- Innovation [Senate Select Committee on FinTech and RegTech and CDR]
- Efficiency [Government's Deregulation Taskforce]

### MEMBER ENGAGEMENT

- Over 300 relationship meetings with members
- Briefing sessions with the fintech community
- Welcomed eight new members taking our membership to 137

### REGULATORS AND GOVERNMENT

- Ongoing relationship with RBA and formal liaison with Policy department
- Liaise with Treasury, the DTA and the Productivity Commission

### WORKING WITH LAW ENFORCEMENT

- Fraud in Banking Forum
- Financial Coalition Against Child Exploitation Australia Working Group

### REGULAR EVENTS AND PAYMENTS SUMMIT

- Events program included sessions on COVID-19 and payments, scams and cybersecurity
- Our December 2019 summit was the largest ever

### INFORMING STAKEHOLDERS

- Speaking engagements at industry forums
- Blogs, website and social media engagement

# Managing the Payment Streams

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The customer preference for faster, data rich payments with 24/7 availability is driving modernisation and efficiency gains.

# Responding to our environment

**COVID-19 has seen a significant acceleration of trends and changes to consumer behaviour.** These have included a decline in cash use and increase in card payments at point-of-sale. In response to this, through the course of the year we focussed on three key areas.

## Point-of-sale convenience

In response to concerns expressed about COVID transmission through physical contact, the industry increased the PIN limit on contactless transactions from \$100 to \$200. The progressive roll-out on certain cards and at certain retailers commenced in early April 2020, initially for a three-month period. The industry has extended the temporary \$200 limit until 17 December 2020 in line with the Government's COVID-19 Biosecurity Emergence Declaration and continues to review and make decisions based on Government advice.

## Balancing merchant and cardholder needs

An early payments-related concern arising from COVID-19 was that the scale of chargebacks by cardholders could result in liquidity pressures on merchants. Card schemes, issuers and acquirers responded to this potential challenge to ensure that consumers and merchants are not adversely affected in these unique circumstances. This involved using standard chargeback processes in a way that does not exacerbate pressure on merchants, while balancing the needs of cardholders. Our blog in April 2020 outlined the guidance for COVID-19 related chargebacks and highlighted the consumer protections provide by the Australian Consumer Law.

## Assisting our members

As the industry association, we have adjusted processes to enable members to better focus on their COVID-19 related priorities. These included making changes to time-related rules to allow for increased volumes, and freezing some non-time related reporting requirements.

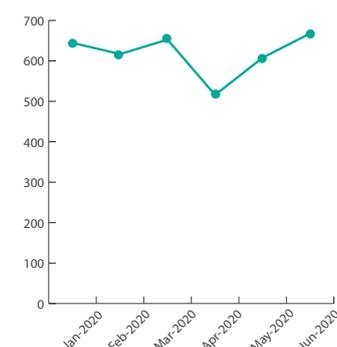
**COVID-19 has accelerated pre-existing trends including the decline in cash use and strong growth in debit card payments at POS.**

### NUMBER OF MONTHLY ATM WITHDRAWALS



Source: Reserve Bank of Australia

### NUMBER OF MONTHLY DEBIT CARD TRANSACTIONS



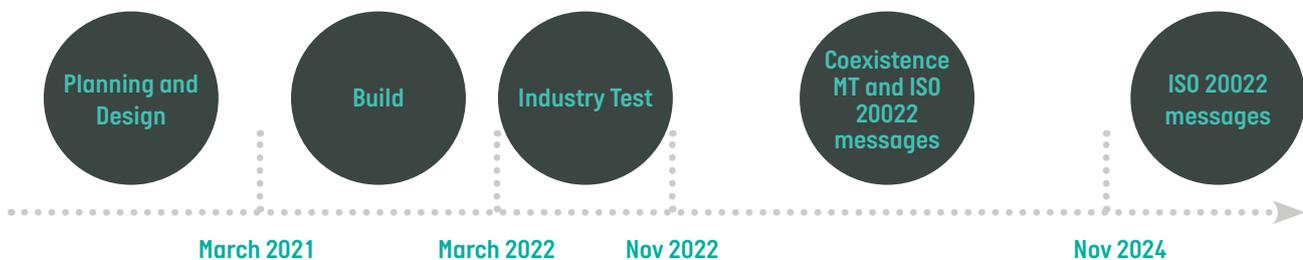
Source: Reserve Bank of Australia

# Payments modernisation

## MIGRATION TO ISO 20022 MESSAGING

In February 2020, the RBA and APC published the ISO 20022 Migration for the Australian Payments System - Conclusions Paper, setting out the strategic direction for migrating High Value Clearing System (HVCS) messaging to ISO 20022 standards. We welcomed AusPayNet's appointment as the central co-ordination authority for this significant industry-led project, which will span the next four years.

Consistent with the governance structure outlined in the Conclusions Paper, we have established the steering committee, mobilised the program management office, and formed the first two working groups. Work is currently underway to develop message specifications that are harmonised with existing SWIFT usage guidelines and the NPP. This first Planning and Design phase is due to end in March 2021. It will be followed by a one-year build phase and six months of industry testing, before the HVCS starts processing new ISO 20022 messages alongside the current MT messages for a two-year coexistence period in November 2022. We look forward to leading industry through these phases to achieve full migration to ISO 20022 by November 2024.



## CONSULTATION AND ACTION PLAN

The customer preference for faster, data rich, 24/7 payments is rapidly changing the payments mix. In November 2019, we consulted with industry to build a consensus view on what the payments system might look like in the next 5-10 years. This work culminated in the Future State of Payments Action Plan, published in August 2020.

The Action Plan outlines the industry's response to the evolution of payments. As the uptake of convenient, digital payment methods accelerates, the focus is on modernisation and ensuring payments system efficiency through the rationalisation of older systems like APCS for cheques and BECS for direct entry. The Plan outlines areas for future actions including developing a roadmap to manage the transition away from BECS and a strong focus on managing the consumer-led decline in cheque use. This work will continue into 2021.

# Shift to Digital Payments

Customers are well-served by payment options and the range of choice continues to grow.



Source:

1. PEXA
2. BPAY Group
3. Roy Morgan
4. Roy Morgan
5. RBA Payments Statistics
6. RBA Consumer Payments Survey 2019
7. NPP Australia

# Secure innovation

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Reflecting the strong preference for card-based payments, Australia stands out globally with one of the highest penetrations of point-of-sale (POS) terminals. Prior to use in the market, all card-accepting terminals and solutions including POS terminals and ATMS, must undergo AusPayNet's standard device approval process to ensure the security of sensitive card data. Approvals are renewed every three years provided there is no substantial change in security technology, applicable standards, or security threats. This year, we assessed 76 new terminals and solutions, and conducted 113 device renewals.

Additionally, AusPayNet assesses devices and solutions that are market leading in nature and that as a result, cannot be adequately assessed against existing global standards. With the goal of ensuring that accreditation does not hinder innovation, AusPayNet works closely with product companies to ensure that their solutions meet baseline security requirements. This year we were delighted to approve a new Mobile-POS 'tap to phone' solution for use in the Australian market.

## Global developments

In response to the growing focus on commercial-off-the shelf (COTS) mobile devices for payment acceptance, we made significant contribution to the development of PCI's Contactless Payments on COTS standard. This was released in December 2019 and adopted by AusPayNet's Issuers and Acquirers Community shortly after. Solutions that meet these standards provide merchants with secure contactless acceptance solutions that protect card data. Building on this work, PCI is now developing a new standard to enable merchants to accept PIN-based contactless transactions on COTS devices.

This year, we saw greater interest in using cloud based cryptographic services to manage the encryption keys used to protect card data. AusPayNet is participating in the recently formed PCI Special Interest Group on Best Practices for Cloud Cryptographic Services, which is considering the security implications of these new services. As an Affiliate Member, AusPayNet continues to play an integral role in the development of these PCI standards.

# Payments system operational resilience

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The payments system's operational resilience continues to be an important focus as the shift to digital payments accelerates. AusPayNet has been working with the RBA and APRA on retail payment incidents reporting. The target outcomes are to modernise reporting on operational outages, improve the consistency and utility of incident data, and implement a framework for data disclosure by financial institutions. We assisted the RBA with its industry consultation on this topic and will continue to play a role when work resumes after the COVID-19 hold.

Additionally, we are supporting the APC in achieving its goal of improving cross-sector systemic resilience. Through a series of workshops and consultations members of the APC are considering both immediate and longer-term initiatives for uplifting resilience.

## Next generation connectivity

AusPayNet's Community of Interest Network (COIN) continues to be a significant piece of payments infrastructure. Launched a decade ago, the COIN provides physical connectivity for low value payments traffic including cheques, direct entry and cards as well as for BPAY bill payments. We are reviewing the technology underpinning the network to ensure the COIN provides next-generation connectivity for Australian payments into the future.

## Crisis Management

AusPayNet is reviewing the industry Crisis Management plan given the increased digitisation of payments and subsequent reliance on electronic payment methods. The review includes how we respond to major incidents as an industry, the co-ordination of our response and the use of technologies and process improvements that may assist in more timely responses and resolution.

# Governance

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Through self-governance, we are able to balance innovation and security to promote competition and deliver efficient outcomes.

# Preventing payments fraud

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Industry fraud prevention requires close collaboration and partnership between financial institutions, card schemes and merchants.

Globally, online card fraud is rising in line with the strong growth in e-commerce transactions. Reducing this card-not-present (CNP) fraud, which accounts for some 87% of all fraud on Australian cards, remains a key industry priority.

On 1 July 2019 we implemented the industry CNP Mitigation Framework developed in close collaboration with the e-commerce community. The Framework sets fraud thresholds that define acceptable levels of risk for both issuers and merchants. Since its implementation, the majority of merchants who exceeded the fraud threshold in a report quarter dropped back below the threshold in the next quarter. These efforts are already having an impact. AusPayNet's Payment Fraud Report published in August 2020 shows that in 2019 CNP fraud fell by 17.7% to \$402.6 million, its first fall ever. While the Framework's benefits are yet to be fully realised, the e-commerce community remains vigilant as online volumes increase during the COVID pandemic.

While all card fraud fell by 19.5% to \$464 million – the biggest decline ever – losses through scams rose sharply in 2019 to \$634 million. The industry is now expanding its focus to include this area of growing concern.

## Scams

Scams and identity theft also continue to be a focus for AusPayNet's Fraud in Banking Forum. During the year, a working group chaired by IDCARE finalised *the Identity Theft and Scam Response Standard and Guidelines*. These provide practical guidance to financial institution staff on supporting victims, including best practice communications and response processes. The Standard and Guidelines were adopted across AusPayNet's frameworks in February 2020.

**While card fraud fell by 19.5% – the biggest decline ever – losses due to scams rose sharply**

# Trust online

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A wide range of public and private sector organisations are focused on improving their online service delivery. This focus has intensified in recent months, with the emphasis on remote access to services. As part of this, there's increased understanding about the requirement for secure, convenient and privacy enhancing ways for organisations to interact with customers.

The TrustID Framework aims to support this growing requirement. TrustID is an open, contestable framework that can be used by different organisations to offer a range of interoperable identity services to individuals and private sector entities. The TrustID Framework is designed to allow individuals to establish their credentials online with an accredited service provider, and then use those credentials to verify who they are when interacting online with a range of different service providers. AusPayNet is progressing work in three key areas of governance, accreditation and a trust mark.

## Governance

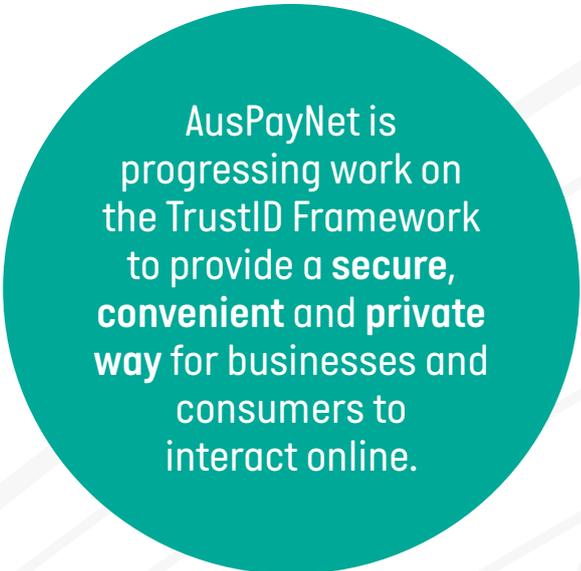
Acknowledging the strategic importance of the framework and ongoing governance requirements, we commenced a thorough consultation with a wide range of stakeholders. This consultation, expected to complete in early 2021, will shape the governance structure of the Framework. The overarching intention is to promote competition and innovation, while effectively controlling and managing risk.

## Accreditation

Robust accreditation of service providers will play an important role in establishing confidence in services. At the highest level, accreditation will ensure that providers continue to meet the security, privacy and interoperability requirements of the Framework. AusPayNet is developing robust accreditation processes with input from subject matter experts from across the digital identity landscape, including from the Digital Transformation Agency.

## Trust Mark

Accredited service providers will be able to display a trust mark to indicate to customers that the service has been approved by the TrustID governing body. The work is being progressed by a number of potential service providers and the trust mark will be finalised early in 2021.



**AusPayNet is progressing work on the TrustID Framework to provide a secure, convenient and private way for businesses and consumers to interact online.**

# Accessibility and inclusivity

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Along with the many benefits of new technologies comes the need to ensure inclusion and accessibility for all users. Following close engagement with the disability community throughout 2019, on 3 December, International Day of People with Disability, we released Guidelines for Accessibility in PIN Entry on Touchscreen Terminals. The Guidelines are designed to make it easier for people living with vision and/or motor impairments to make payments

on point-of-sale (POS) touchscreens. They are a key step in efforts to ensure innovations in payments technology are accessible to the widest population and an important start of collaborative work on enhancing accessibility and inclusion in payments.

# Emerging technology

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Collaboration has continued on emerging technologies. Through a series of workshops with members and other stakeholders our technology focus has explored authentication principles, the ethical application of AI, and QR codes.

We have benefited from collaboration with Standards Australia on AI, and anticipate continued inquiry as we take a use case-based approach to examining the use of AI in payments.

Our exploration of authentication and QR codes provides a strong foundation for further consideration of how payments acceptance is evolving.



# Shaping global and local standards

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AusPayNet is at the frontline of standards development as a participant on global and domestic standards bodies including ISO, PCI, EMVCo, Fast Identity Online Alliance (FIDO), World Wide Web Consortium (W3C) and Standards Australia. A key focus is to increase standards alignment and consistency where possible, while ensuring the security and interoperability of card payments in Australia.

We currently hold the positions of Convenor of two ISO Working Groups and Chair of Standards Australia IT005. Additionally, AusPayNet is a member of the Board of Advisors of the PCI SSC and participates in all major PCI Working Groups.

In December 2019, we were delighted to host two ISO working groups, bringing together technical experts from across the globe including the US, UK, France, South Korea and China. Other highlights included participation in the PCI SSC Asia-Pacific Community Meeting held in Melbourne in November 2019.

We participate in the following standards committees and bodies:

- EMVCO Associate – Industry Group
- ISO/TC68/SC2 Financial Services Security
- ISO/TC68 Financial Services/Working Group 7
- ISO 20022 ISO/ TC68/SC2/Working Group 11
- ISO/TC68/SC2/Working Group 13
- ISO/TC307 Blockchain and Distributed Ledger Technologies
- PCI SSC Affiliate Member
- PCI SSC Board of Advisors
- PCI SSC Encryption Task Force
- PCI SSC Mobile Task Force
- PCI SSC Mobile Working Group
- PCI SSC PIN Assessment Working Group
- PCI SSC PIN Transaction Security Working Group
- PCI SSC SIG Cloud Cryptography
- PCI SSC Software Security Working Group
- Standards Australia IT-005: Financial Transaction Systems
- Standards Australia IT-041: Blockchain and Distributed Ledger Technologies
- SWIFT Australian National Member Group
- SWIFT Australian User Group

# Effective self-governance

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As the pace of innovation accelerates and participants in the payments industry diversify, a priority is to ensure that our approach to self-governance remains fit for purpose.

This year, we commenced a review of AusPayNet's constitution and governance structure, including corporate objects, decision-making architecture, funding, membership and board structure. The review will continue through the 2021 financial year.



# Policy and advocacy

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Developments in the regulatory landscape continue to play an important role in the way that payments are evolving.

# Shaping payments policy

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Throughout the course of this year, AusPayNet has continued to shape four key policy areas.

## Self-regulation

Self-regulation underpins the Australian payments system and has supported a wave of innovation. This was highlighted in our submission to the Reserve Bank's Review of Retail Payments Regulation which commenced in late 2019. The review was paused in March in light of COVID and AusPayNet looks forward to further consultation when it resumes later in 2020.

## Efficiency

We responded to the Australian Government's Deregulation Taskforce, which is examining the stock of government regulation. Referring to the Government's priority areas of modernising business communications to assist in the COVID-19 recovery, our submission supported the broad intent and highlighted two specific areas for attention. These included advocating for payment method neutrality to support digital payments and amending the Electronic Transactions Act to allow for the electronic provision of verified credentials (whether or not the credentials were originally contained in a physical document).

## Consumer Protections

Consumer protection is key to ensuring public confidence in payments. With that in mind, AusPayNet continued to engage with ASIC's review of the voluntary ePayments Code in 2020. AusPayNet provided advice on a range of issues, including direction that the Code might not be the most appropriate vehicle to address the topic of scams, which are quick to adapt and change. We also highlighted that the revised Code should remain flexible and responsive to future developments, including the Consumer Data Right (CDR).

## Innovation

The payments system is a foundational component of Australia's digital economy. Drawing upon our experience in payments system governance, AusPayNet contributed to a number of Government inquiries.

In May 2020, we welcomed the opportunity to respond to the Inquiry into Future Directions for the Consumer Data Right. Our submission highlighted the prerequisites for a successful data economy: an effective and robust governance framework, and customer identification and verification.

The Senate Committee on Financial Technology and Regulatory Technology is reviewing Government fintech policy. AusPayNet provided a written response in December 2019 and attended a public hearing in February 2020, giving the Committee an overview of the payments system, the changing way we pay, and our work to support payments innovation.

# Stakeholder engagement

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## Member Engagement

Our members are at the heart of everything we do. Through our member engagement initiatives, we collectively develop a broader understanding of the opportunities and challenges facing the payments industry. This year, we had more than 300 relationship meetings with members and kicked-off regular briefing sessions with the fintech community, providing a forum for ongoing discussion.

The evolving payments landscape is reflected in our growing and increasingly diverse membership. We were delighted to welcome seven new Participant members this year - DBS Bank, Global Payments Australia, in1bank, Judo Bank, Keb Hana Bank, Split Payments, China Merchants Bank - and Armaguard as an Affiliate member.

Our annual member survey provides valuable feedback and highlights possible areas for further collaboration. This year, members' overall satisfaction with their interactions with AusPayNet reached 94.7% - up from 90.7% in 2019. Priorities for industry work included managing the payment streams, promoting innovation and emerging technologies, and combatting fraud and scams.

## Liaising with regulators and government

We continue to work closely with regulators and government bodies on payments-related issues to ensure self-regulatory and market-based outcomes that are in the interests of all users. AusPayNet has an ongoing relationship with the RBA, which includes formal liaison

arrangements with their Policy department to promote discussions on issues affecting the payments system. We also liaise with 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).

## Working with law enforcement

AusPayNet's Fraud in Banking Forum brings together fraud specialists from financial institutions and law enforcement communities to share information at a strategic level on financial crime and emerging banking fraud issues. The Forum met four times this year, in Perth, Melbourne and Brisbane, and a virtual meeting due to COVID-19.

## Member and industry events

AusPayNet's events program provides a collaborative forum for exploring emerging trends and issues. This year's topics included digital ID, sanctions screening, COVID-19 and payments, scams and cybersecurity. Due to COVID restrictions, our 2020 events were held online only with a record number of members participating.



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## Payments Summit

The annual AusPayNet Summit is a significant event in the industry's calendar bringing together a wide range of payments enthusiasts to explore the impact of emerging trends on the future of payments. Our December 2019 Summit, themed 'Payments - The Key to the Best Customer Outcomes', was a sell-out event with over 300 people attending. Featuring leading international and local speakers, panels and roundtables, the Summit sparked lively debate to uncover issues that need an industry-wide focus. We were delighted to have the RBA Governor, Philip Lowe, give his much-anticipated keynote address - a regular highlight of our summit - and thank all our sponsors, members, regulators, and the wider payments community for their ongoing support.

In light of COVID restrictions around gatherings, we are replacing this year's Summit with a series of online events culminating in a session featuring the RBA Governor on 7 December 2020. We invite everyone with an interest in payments to join us.



## Stakeholder communication

Bringing all stakeholders along and creating support for industry work is critical to enabling change. Our communications and engagement initiatives help us build connections with stakeholders with a view to better informing conversations on payment issues. These include speaking engagements at conferences and other industry forums, liaising with industry associations and consumer representative bodies, and participating in roundtables and critical discussions on payments-related issues. The move to online events during COVID allowed us to more easily participate in events hosted by other countries including the US, Canada and Asia.

As payments touch everyone, we also have an important role to play in helping the broader community understand payments developments. We do this through a range of initiatives including regular blogs, newsletters, reports, and media briefings. Visitors to the AusPayNet website, the hub for our communications and information, grew by 45.6% this year. Similarly, the number of people following us on LinkedIn was up 49.9%, and our Twitter impressions more than doubled. We invite you to follow us on social media and explore our website as we continue to develop these channels during the 2021 financial year.

# Board of Directors

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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 was one change to the Board during the year. Paul Franklin stepped down from the Board and as Deputy Chair in December 2019. He was replaced by Dianne Shay as a director and by Lynda McMillan as Deputy Chair. The names of the directors in office as at 30 September 2020 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 Chair and member of the Payments Review Committee and Remuneration Committee.



## Lynda McMillan, Deputy Chair

MBUS, GAICD

Head of Payments Representation, Retail Banking Services, CBA

Appointed as a non-executive director by the CBA in April 2018 and as Deputy Chair by the Board in December 2019. Ms McMillan also serves as Chair of the Fraud in Banking Forum and Nomination Committee, and member of the Governance Review 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 Chair and member of the Governance Review Committee, and member of the Audit, Risk and Finance Committee, Payments Review Committee, Remuneration Committee and the Australian Payments Council.



## Chris Campbell

BEC, MBUS (FINANCE)

Head of Payments Policy and Strategy, Westpac Group

Appointed as a non-executive director by Westpac in April 2003.

Mr Campbell serves as Chair of the COIN Management Committee, member of the Audit, Risk and Finance Committee, Remuneration Committee and Policy Experts Group.



## Jennifer Clark

FAICD

Deputy Chair of the Australian Maritime Safety Authority and independent Chair of audit, risk, and finance committees for a number of different organisations

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 Remuneration Committee.



### Jackie Kallman

BPSYCHSC (HONS), MAICD

Head of Payments Industry, ANZ

Appointed as a non-executive director by ANZ in April 2018.

Ms Kallman serves as Chair of the HVCS Management Committee.



### 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

B COMM (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 Remuneration Committee.



### 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 and member of the Audit, Risk and Finance Committee, and member of the Nomination Committee and Remuneration Committee.



### Kate Mulligan

BA, LLB(HONS), MAICD

Managing Partner, King Irving

Appointed as an independent director in June 2014.

Ms Mulligan serves as Chair of the Issuers and Acquirers Forum, and member of the Governance Review Committee.



### Dianne Shay

MAICD

Head of Payments Industry, Cashflow Solutions, Customer Experience,  
National Australia Bank Limited

Appointed as a non-executive director by NAB in December 2019.

Ms Shay serves as Chair of the APCS Management Committee.



### Mark Tibbles

MAICD

CEO, Australian Settlements Limited

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

Mr Tibbles serves as member of the Nomination Committee.



### Derek Weatherley

BCOMM, MACC, GAICD

CEO, Indue Limited

Appointed as a non-executive director by Credit Union Members in April 2018.

Mr Weatherley serves as Chair of the BECS Management Committee, and member of the Payments Review Committee.

# Governance Framework

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

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## 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 audit results and monitors the effectiveness of the company's financial controls and administrative policies.
- **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



**Lynette Hickey**  
Chief Financial Officer



**Lauren Johnson**  
Chief People and  
Culture Officer



**Victoria Richardson**  
Chief Strategy Officer



**Luke Wilson**  
Chief Operating  
Officer

## Responding to COVID-19

Ensuring the safety and welfare of our team during COVID-19 has been paramount. We have created a highly flexible environment and equipped our people with the resources they need to work remotely. Supported by high-quality systems, our people have worked seamlessly from home during a challenging period. We remain vigilant and continue to make decisions based on government advice.

## Fostering a Purpose-Led Culture

Our strategic plan through to 2023 adopts a purpose-led approach to better balance the different interests of our increasingly diverse members and stakeholders.

In a purpose-led organisation, we need to be leaders at every level. This year, we initiated a leadership development program, which will run until December 2021, giving everyone across the organisation opportunities to achieve their goals and inspiring high performance. Strengthening and broadening key competencies for the future allows us to continue to support the delivery of our corporate goals to the benefit of our members.

# Membership

AusPayNet has 137 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 Mutual Bank Limited  
 Australian Settlements Limited  
 Australian Unity Bank Limited  
 Auswide Bank Ltd  
 B&E Ltd trading as Bank of Us  
 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 [The]  
 China Construction Bank Corporation, Sydney Branch  
 China Merchants Bank Co., Ltd.  
 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 ●  
 DBS Bank Ltd., Australia Branch  
 Defence Bank Limited  
 Delphi Bank [a division of Bendigo and Adelaide Bank Ltd]  
 Deutsche Bank AG  
 EFTEX Pty Limited

First Data Network Australia Limited ●  
 G&C Mutual Bank Limited  
 Gateway Bank Ltd  
 Global Payments Australia 1 Pty Ltd  
 Greater Bank Limited  
 Heritage Bank Limited  
 Holiday Coast [now known as Regional Australia Bank Ltd]  
 Hong Kong and Shanghai Banking Corporation Limited - Australian Branch  
 HSBC Bank Australia Limited  
 Hume Bank Limited  
 IMB Ltd  
 In1bank 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  
 Judo Bank Pty Ltd  
 KEB Hana Bank  
 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  
 Police Bank Limited  
 QPCU Limited  
 Queensland Country Bank Limited

Rabobank Australia Limited  
 Rabobank, Australia Branch [Co-Operative Centrale Raiffeisen-Boerenleenbank B.A.]  
 Railway Credit Union Limited trading as MOVE Bank  
 Regional Australia Bank Limited  
 Reserve Bank of Australia ●  
 Royal Bank of Canada  
 Southern Cross Credit Union Ltd  
 Split Payments Pty Ltd  
 Standard Chartered Bank  
 State Bank of India  
 State Street Bank and Trust Company  
 Sumitomo Mitsui Banking Corporation  
 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

● Also a COIN member

## 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

## AFFILIATES

Advam Pty Ltd  
 Armaguard Technology Solutions Pty Ltd  
 Cardtronics Australasia Pty Ltd  
 Diebold Nixdorf Australia Pty Limited  
 Gemalto  
 Giesecke & Devrient Australasia  
 Ingenico International [Pacific] Pty Ltd  
 NCR Australia Pty Ltd  
 Optus  
 Quest Payment Systems Pty Ltd  
 Southern Payment Systems Pty Ltd [trading as Pin Payments]  
 Thales  
 Threatmetrix Pty Ltd  
 UL Transaction Security  
 Verifone Pty Ltd

Members as at 30 September 2020

# Glossary

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

