



BPAY Pty Ltd

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Financial System Inquiry
GPO Box 89
Sydney NSW 2001

Attention: Mr David Murray, Chairman

By email: fsi@fsi.org

Dear Mr Murray,

BPAY Submission to the Financial System Inquiry

Thank you for the opportunity to make a second round submission to the Financial System Inquiry.

The Inquiry's Interim Report (July 2014) contains a section headed "Competition" (section 2). Within that section, in the discussion on the Payments sector, the Interim Report noted that submissions received in the first round of consultation did not raise competition issues around payment systems such as Direct Entry, Real Time Gross Settlement, ATM Networks, cheques and BPAY.

However, the Interim Report (at 2-24) noted that the Inquiry would welcome views on whether there are competition issues in these payment systems or other parts of the payments sector.

BPAY Pty Ltd is a wholly-owned subsidiary of Cardlink Services Limited and is the operator of the BPAY Scheme, which facilitates payments between Australian consumers and businesses. The BPAY service is provided by BPAY's Members – that is, the 160 financial institutions participating in the BPAY Scheme – servicing more than 45,000 billers and facilitating payment of approximately 30 million bills per month, with value exceeding \$23 billion.

BPAY submits that the competitive pressures of the strong and vibrant market for payments will continue to lead to both economically efficient outcomes (that is, growing volumes and scale in line with strong demand for electronic payment methods) and innovation (such as growing levels of internet based data entry, payment capture, and information exchange services like BPAY View).

BPAY operates within the Australian payments system and is one of the wide variety of means that may be used to effect payments within Australia. As such, a number of competitive pressures (both on the supply side and the demand side) influence:

- the payment methods that a Biller may choose to make available,
- how a Payer may choose to effect a particular payment, and
- the combination of payment methods that may be offered by financial institutions to their Biller and Payer customers and the terms on which these may be offered.

For example, a feature of the Australian payments ecosystem is the existence of various interchange regimes. Those regimes perform an important role, particularly, in the four-party payment schemes that the Inquiry has identified. In particular, BPAY is of the view that interchange regimes are a very important element in supporting payment systems in the extension of their services and development of new services (innovation).

BPAY's commercial underpinnings, coupled with strong governance and ease of access for billers, payers and their financial institutions, have enabled BPAY to become Australia's leading bill payment service.

The emerging, and highly competitive, market for electronic bill presentment, payment and storage has also been addressed by BPAY's BPAY View service – as currently used by more than 2.2 million Australians to receive, store and pay their bills online.

It is BPAY's strongly held view that BPAY Payments and BPAY View both operate in very competitive marketplaces – delivering significant value to our Members' business and consumer customers.

BPAY is, of course, willing to discuss these, and related matters, with you at any time.

Yours sincerely,



Andrew Arnott
Chief Executive Officer