

FIS

# FLAVORS OF ***FAST***

Country Reports  
**Australia**





# Introduction

The fifth edition of global fintech leader FIS' faster payments<sup>1</sup> industry report, *Flavors of Fast*, demonstrates how quickly the global payments ecosystem is evolving. When *Flavors of Fast* was first published in 2014, there were 14 live faster payment schemes in the entire world. In 2018, that number has nearly tripled. There are now 40 live faster payment schemes, five real-time schemes actively preparing for launch, and 16 more "on the radar."

Adoption of faster payments remains strong, particularly in regions that have encouraged innovation and invited third parties to use the real-time rails (the network or central infrastructure that facilitates the movement of funds) to deliver a frictionless user experience. Despite that more than half of India's population remains offline, its real-time scheme now processes nearly three million faster payments transactions each day, up from two million a day in 2017.

China now processes more than 25 million faster payments transactions a day, more than double its 2017 transaction volume. Economically significant regions like the United States (US) and Australia recently launched their first real-time schemes, and since its November 2017 launch, banks in more than 15 European countries, including Germany and the United Kingdom (UK), have gone live with the SEPA Instant Credit Transfer (SCT Inst) scheme.

Meanwhile, Hong Kong prepares to launch its faster payment rail in fall 2018, as the UK reconsiders the future of its modernized payments system and explores new frontiers of open banking.

Despite that processing speed is an inherently critical component of a real-time scheme, it's not the end game. "The proliferation of the number of schemes and adoption points to the fact that global faster payments rails are no longer an outlier, but the faster payment rail on its own is not transformative. The real value we're seeing is in the overlay services that use the rail to bring additional value for end users, banks and other parties attached to the scheme," explains Andrew Hewitt, FIS Director Payment & Data Solutions.

As regions continue to invite and encourage innovation on their real-time rails (including from providers who aren't traditionally involved in financial services) we predict that 2018 marks the start of a pivotal shift in how, why and for whom real-time rails will deliver contextual relevance, frictionless experiences and value.

In this report, we examine what the future of fast may look like in Australia, following the launch of its New Payments Platform (NPP) earlier this year.

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<sup>1</sup> Flavors of Fast Definition of a Faster Payment: Inter-bank fully electronic payment systems in which irrevocable funds are transferred from one bank account to another, and where confirmation back to the originator and receiver of the payment is available in one minute or less.





FPII Bank



# Scheme Overview

At its launch in February 2018, NPP went live with six retail banks, along with some banking service aggregators, offering instant payment capabilities to customers. Many smaller financial services organizations are also providing NPP services through the core group. Several large banks opted to delay their formal launch as testing continues, but are expected to be live in NPP before Q3 2018.

The need to modernize the Australian payment infrastructure with the provision of instant payments was highlighted six years ago. At that time, the central bank (Reserve Bank of Australia) worked with the domestic banking industry to define the fast, versatile and data-rich payment service for consumers and businesses that has become NPP. The basic infrastructure was built and is operated by SWIFT and is based on ISO 20022 messaging. Looking beyond the basic provision of single real-time payments, NPP aims to encourage innovation through the provision of overlay services using application programming interfaces (APIs) and an open banking rationale.

## Fast Facts

- NPP launched in February 2018
- 4+ rating on FIS' Faster Payment Innovation Index (FPII)\*
- Operated by NPP Australia with central bank facilitating settlement
- Real-time, immediate and continuous settlement 24/7
- Supports consumer, retail, business and government payment capabilities

\* The Faster Payment Innovation Index (FPII) is FIS' five-point comparative rating system to compare and contrast diverse payment schemes. The higher the FPII score, the stronger the possibilities for innovation.

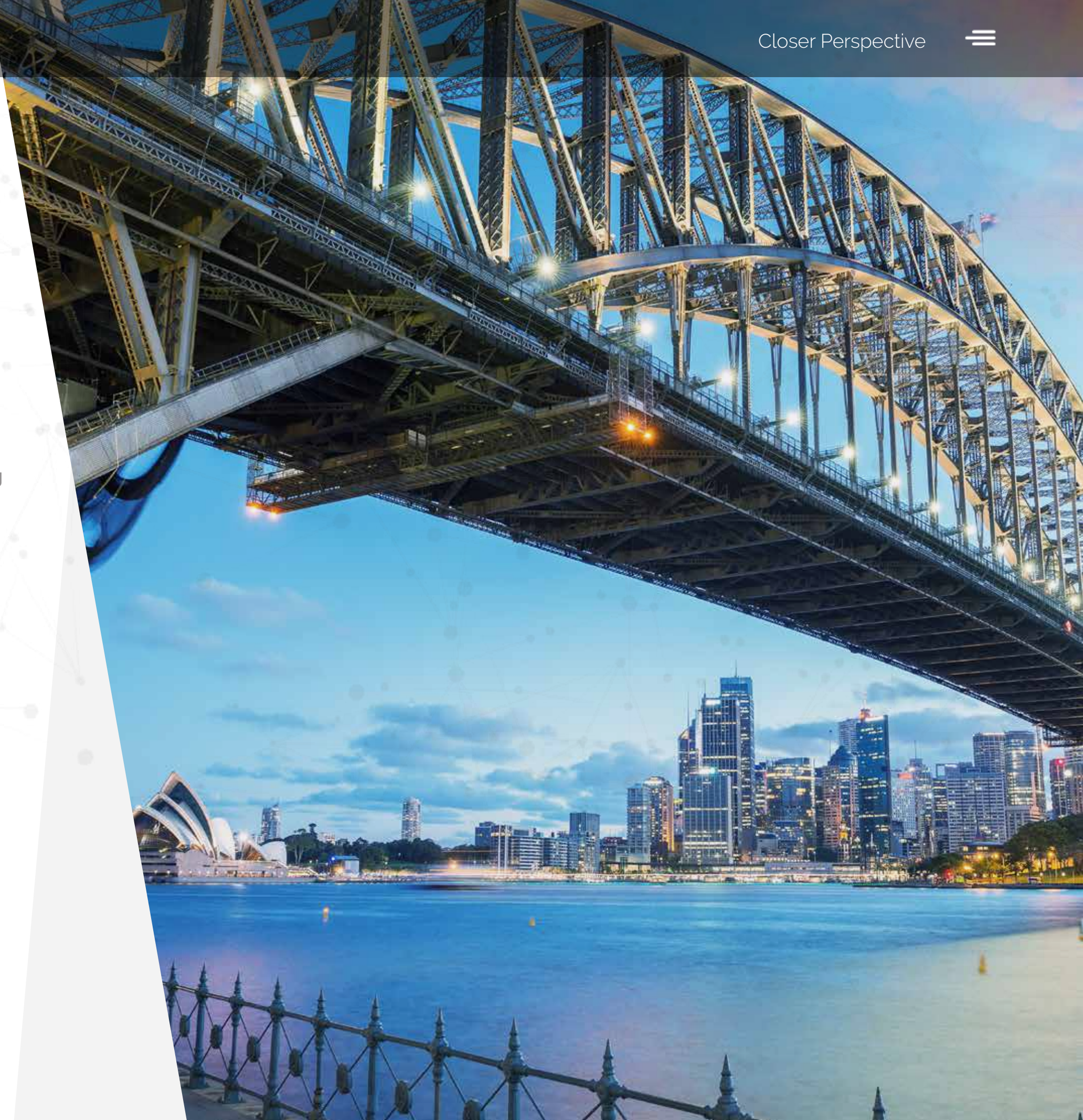


# Closer Perspective

Since launching the NPP service, initial registrations have been strong, despite that a couple of major local players delayed offering the service until the second half of the year. Once availability is ubiquitous, and as new innovative value-adding overlay services go live, growth is expected to accelerate.

It is easier to look at the NPP as infrastructure that provides a framework for all sorts of different services to operate. As NPP is data-enriched, payments can be sent with much more information than is currently possible, providing a mechanism to augment payments with additional information that eases reconciliation and enhances customer experience. The NPP has been recognized as a vital part of Australia's business ecosystem and received a New South Wales 2018 State iAward.

**The NPP is also listed in the Australian 2018/19 federal budget for the role it will play in helping to move Australia to a more efficient and innovative digital economy.**





## Overlays Driving NPP Growth

The provision of overlay services on top of the instant payment rails will drive NPP adoption and acceptance, especially once banks fully embrace the open banking paradigm through the provision of APIs to their internal systems. New overlay services will be offered not just by the NPP's domestic bank participants, but also by third parties; the possibilities for the platform truly are endless. Yet, with many overlay services still in the early stages of development, it's difficult to know exactly how these products will ultimately come to market, or be used.

The first service offered was Osko, which allows for immediate payments from one account to another. Part of the "day one" launch, it offers funds transfers using the national alias scheme (PayID), allowing payers to send payment instructions using a phone number, email address or company number rather than a bank account number. Subsequent phases of Osko will allow government departments and organizations to send documents attached to payments, and a "request to pay" service will follow soon. (For example, a plumber could use this feature to send the customer a request to pay on completion of work, and payment can be sent instantly.)

The overlay services on offer will continue to become increasingly customer-centric. This shift will be driven by businesses at all stages of the payments cycle, from banks and credit companies to accountants and businesses. An enormous part of this changing focus will be better use of data, which is much easier to work with when using the NPP. For example, financial management applications will utilize data on the ways customers make payments and apply that to the advice they provide, and provide the ability to make large payments instantly, to ease processes like car buying.

**Osko alone is a huge step forward for Australian consumers, but is only the start of a series of overlay services that will utilize the platform in order to provide cutting-edge services.**







## Open for the Future

The expectation in Australia is that players not typically associated with payments will drive significant investment in new solutions that increase customers convenience. This may include transportation companies looking at account-based solutions, or government departments investing in new business models and platforms. There is a growing recognition that Australian banks need partnerships for faster innovation as they open their underlying platforms with APIs to allow plug-and-play data exchange; working closely with outside partners (especially those in technology) will bring speed and agility to the innovation process.

Australia is deeply committed to the rollout of open banking, and the government has agreed to implement the recommendations in its final report, phased in from mid-2019. Banks will make data available on credit and debit card, deposit and transaction accounts with mortgage data later in 2020. Consequently, customers will be able to use their new data rights to potentially find better deals on credit cards, mortgages and other banking products. With increased open access to accounts, comparison services will be able to assess the value and suitability of all available products, considering the individual circumstances and needs of the customer.

## APAC Powerhouse

The full benefits of instant payments may still be a few years away, but the potential for NPP to provide them makes the future of banking in Australia brighter than ever. Despite this, APAC is a region overflowing with payments innovation. China, India, Thailand and Malaysia are all live with similar services, and given their respective populations, Australia's numbers will never be able to compare. However, Australia has built a future-aware infrastructure that eclipses many of its regional neighbors by mandating open banking standards and building-in API capability.

**It will be an exciting year ahead as NPP expands its reach to more banks, building societies and credit unions, and invites various innovators to develop new customer experiences that bring the NPP's capabilities to life.**

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