Mandated Payments Service (MPS)

Overview Webinar

June 2020

New
Payments
Platform

New Payments
Platform Australia
Limited

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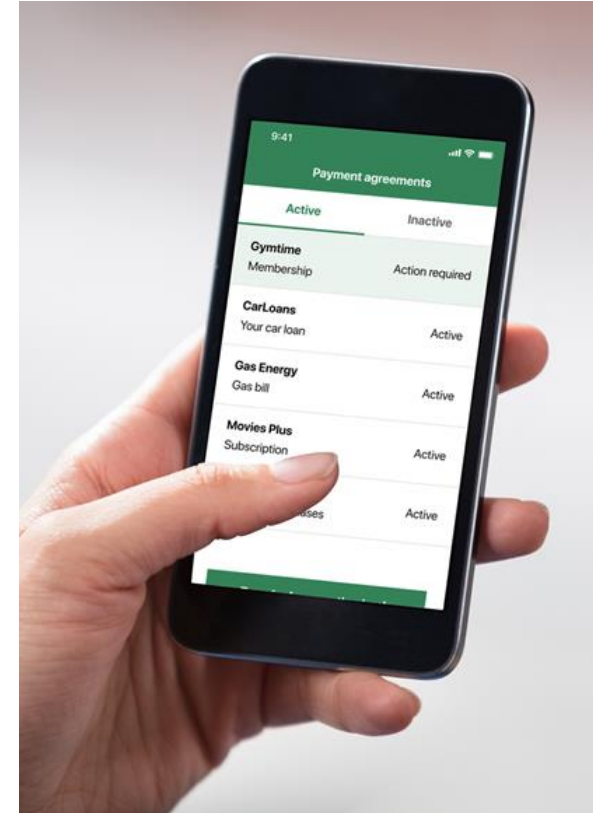**Disclaimer:** This material is intended for informational purposes and may be subject to change.

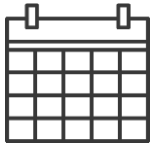# MPS Overview

New Payments Platform

Mandated Payment Service (MPS) overview

- The NPP currently supports credit payments or "push" payments whereby customers make payments via their banking channel

- The collective MPS capability will support debit or "debit-like" payments (both recurring and one-off) via the NPP through:

  - Ability to create and store a customer authorised payment arrangement - a 'Mandate'

  - Payment initiation messaging which references that Mandate

  - A centralised database for storing the mandate (Mandate Management Service or MMS)

  - Associated business rules

  - APIs for creating, amending and accessing Mandate records in the MMS

- It is anticipated that financial institutions will begin to rollout MPS services in early 2022. However, this date must be viewed in the context of uncertainty caused by COVID-19.

New Payments Platform
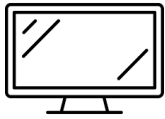
Supporting a wide range of use cases

This native capability will support a wide range of use cases from simple P2P payments through to complex B2B payments

- Scheduled, recurring payments

- Subscription services

- Service providers, e.g. payroll, accounting

- Event or trigger based, e.g. einvoicing or smart contracts

- Ecommerce payments

- In-app payments

- In-store payments

- One-off payments

Key Features and Benefits for Creditor

- Real-time validation of customer's account at time of mandate creation

- Real-time funds availability check (at time of payment)

- Real-time confirmation of payment

- Real-time response on payment instructions

- Receive notifications of changes to mandate status, e.g. if mandate is cancelled or suspended

- Centralised storage of mandate records

- Data-rich capability with more data included in the payment message

- Ability to support more seamless, digitised and efficient processes

Key Features and Benefits for Customers

- Customers have greater visibility over their mandate payment arrangements that are linked to their account

- Customers have more control over their account and can more easily perform mandate maintenance functions, e.g. cancel a mandate

- Option for customers to use PayID when setting up mandate arrangements on their account rather than using their BSB and account number

- Greater ability to move mandate payment arrangements linked to their account to an account held at another financial institution

- Provide a more digital, user friendly customer experience

- Financial Institutions can choose to optionally deliver additional notifications to customers regarding upcoming payments

Customer authorisation is at the core of MPS

Your managed payments

Active	Inactive

Gymtime Membership	Authorise payment
Movies Plus Subscription	Active
CarLoans Your car loan	Active
GasEnergy Gas bill	Active
PayLater Instalment Purchases	Active
RoundUp Save your spare change	Active
Telco Internet and mobile	Suspended

[Transfer from another bank] [Transfer to another bank]

‹ Authorisation requested

This payment agreement needs to be authorised by 4th Sep 2020 5PM EST

Please check the details below are correct

Payee	Gymtime
Description	Membership
Amount	$280.00
Frequency	Billed monthly on the 15th
Linked account	Everyday account BSB 040-981 Acc No 7487-4728
Start date	4th Sep 2020
End date	4th Sep 2021
First payment due	15th Sep 2020
Status	Authorise payment

Full details ›

[Decline payment agreement] [Authorise payment agreement]

‹ Authorisation requested

This payment agreement needs to be authorised by both authorisers by 29th Mar 2020 5PM EST

Are you sure you want to authorise this payment agreement?

[Back] [Yes, authorise]

This payment needs authorisation from the below list of authorisers.

| John Smith (You) | Pending |
| Anita Alvarez | Authorised |

| Status | Authorise payment 1 of 2 authorisation required |

‹ Payment agreement authorised

✓

Your payment agreement with Gymtime has been authorised.

- The description for this agreement is: Membership
- Gymtime can now debit the account for this payment agreement.
- We will send you an email confirming this agreement

[Return to managed payments]

Your managed payments

Active	Inactive

Gymtime Membership	Active
Movies Plus Subscription	Active
CarLoans Your car loan	Active
GasEnergy Gas bill	Active
PayLater Instalment Purchases	Active
RoundUp Save your spare change	Active
Telco Internet and mobile	Suspended

[Transfer from another bank] [Transfer to another bank]

Control is a key benefit of MPS

Amend

- Once a mandate is created, amendments can be made to certain mandate information. Depending on the type of amendment made, further authorisation may be required by the customer.

Suspend

- Mandates can be suspended resulting in any associated payments being paused. A suspended mandate can be activated again by the party who suspended it.

Cancel

- Mandates can be cancelled at any time. Once cancelled, a mandate cannot be used to initiate payments
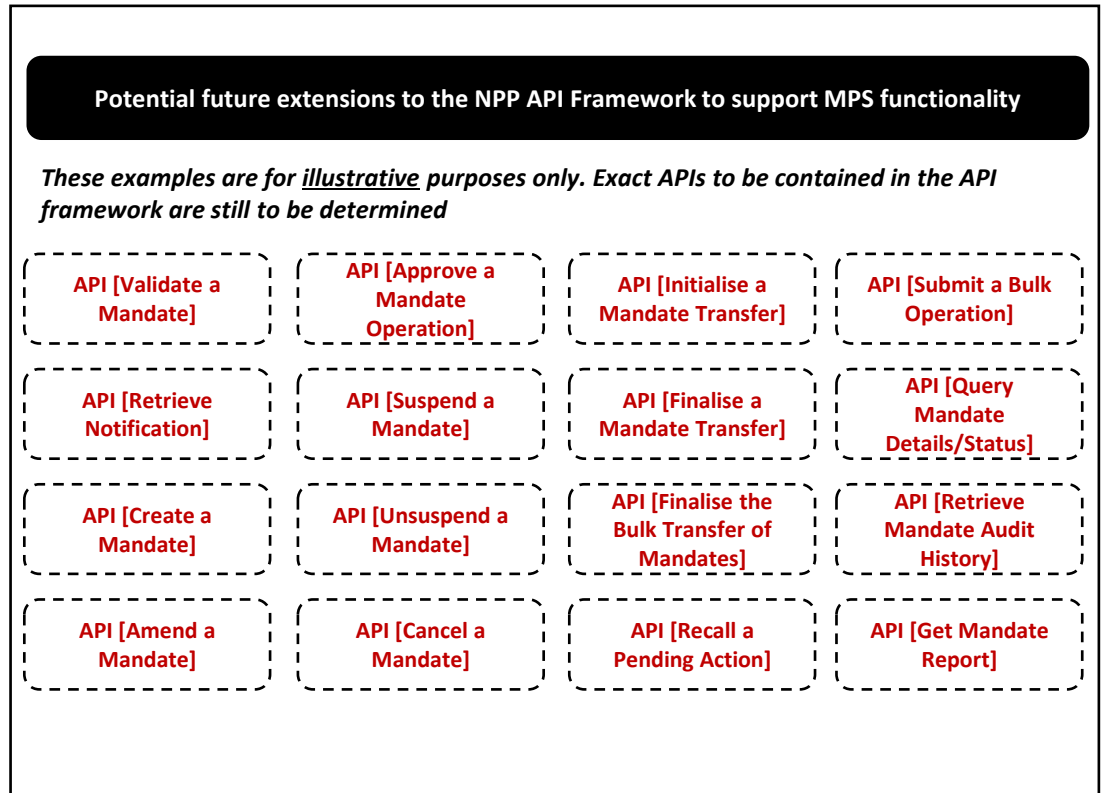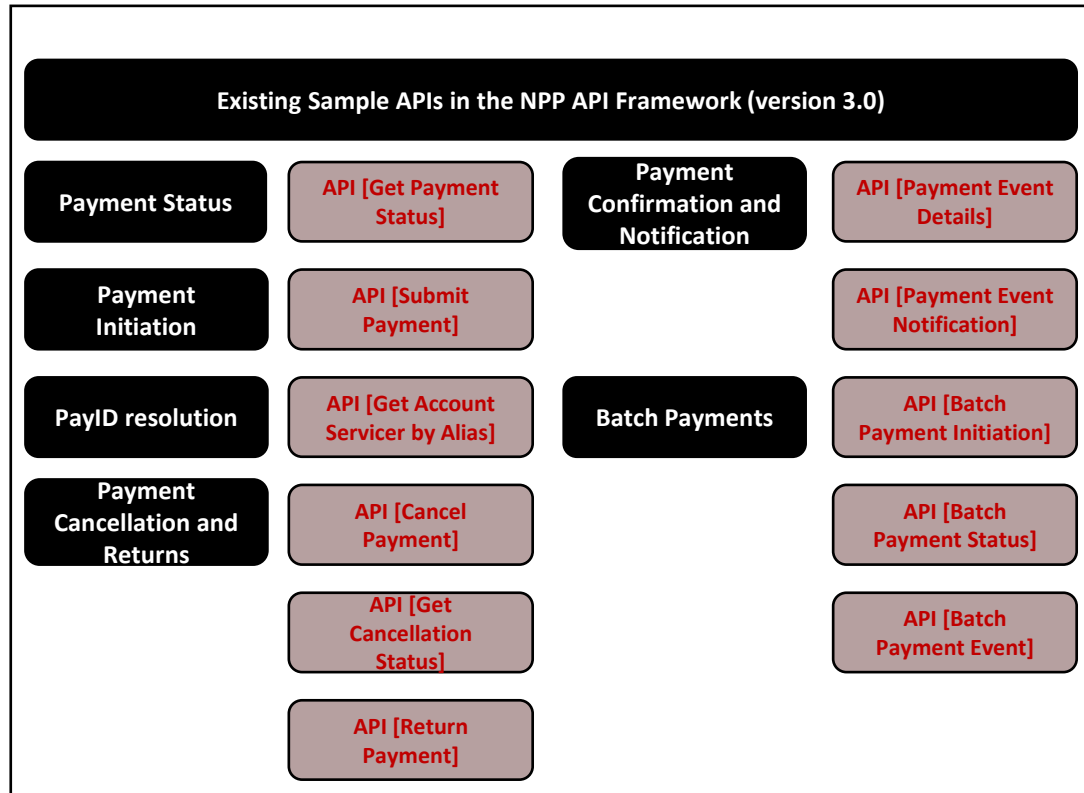
Transfer

- Mandates can be moved from an account held at one bank to another account at a different bank. Transferring mandates does not change the payment terms.

Extending API capabilities

To support the delivery of the MPS capability, NPP Australia will be extending the NPP API framework to include sample APIs related to MPS functions:

Existing Sample APIs in the NPP API Framework (version 3.0)

Payment Status	API [Get Payment Status]	**Payment Confirmation and Notification**	API [Payment Event Details]
Payment Initiation	API [Submit Payment]		API [Payment Event Notification]
PayID resolution	API [Get Account Servicer by Alias]	**Batch Payments**	API [Batch Payment Initiation]
Payment Cancellation and Returns	API [Cancel Payment]		API [Batch Payment Status]
	API [Get Cancellation Status]		API [Batch Payment Event]
	API [Return Payment]		

Potential future extensions to the NPP API Framework to support MPS functionality

These examples are for <u>illustrative</u> purposes only. Exact APIs to be contained in the API framework are still to be determined

API [Validate a Mandate]	API [Approve a Mandate Operation]	API [Initialise a Mandate Transfer]	API [Submit a Bulk Operation]
API [Retrieve Notification]	API [Suspend a Mandate]	API [Finalise a Mandate Transfer]	API [Query Mandate Details/Status]
API [Create a Mandate]	API [Unsuspend a Mandate]	API [Finalise the Bulk Transfer of Mandates]	API [Retrieve Mandate Audit History]
API [Amend a Mandate]	API [Cancel a Mandate]	API [Recall a Pending Action]	API [Get Mandate Report]

Rules Framework

The MPS is governed by an overarching rules framework established by NPP Australia which will define, amongst other things:

- Operational procedures for processing payment initiation requests

- The customer facilities that participating financial institutions must provide to their customers

- Recovery processes for error payments and mistaken payments

- The liability framework associated with unauthorised payment initiation requests

- Participation rules and criteria for different parties accessing the MPS

The MPS leverages the existing features and protections built into the NPP that apply to clearing and settlement messages being exchanged by NPP Participants today, specifically fraud prevention, liability and risk management processes.

Example Process Flows

New Payments Platform

Setting up a Mandate

1. Lily wants to sign up to be able to use a fintech BNPL service, PayLater so she can spread the cost of her purchases over instalments

2. Lily downloads PayLater's app and signs up. She provides her banking details to be able to fund her purchases from her bank account. PayLater requests it's payment service provider, Fast Payments, who is an NPP Connected Institution, to create a mandate for Lily in the MMS.

3. Fast Payments creates a Mandate in the Mandate Management Service (MMS) for Lily.

4. Lily's bank gets a notification from the MMS that a new mandate has been created and needs to be authorised by Lily.

5. Lily, who is still in PayLater's app, receives a notification to open her banking app to authorise the mandate for PayLater, which she does.

6. Lily's bank confirms the authorisation of the mandate to the MMS.

7. The MMS sends a notification back to Fast Payments to say the Mandate has been authorised. Fast Payments may provide a notification to PayLater.

Payment initiation

1. Lily is later making a purchase online. At checkout, she selects to pay using PayLater.

2. PayLater funds Lily's purchase with the merchant and then instructs Fast Payments to send a Payment Initiation request for Lily's first monthly instalment payment.

3. Fast Payments makes an API call to the MMS to validate the Mandate record and that the payment initiation request is within the terms of the Mandate. Validation is successful and Fast Payments sends the payment initiation request to Lily's bank.

4. Lily's bank receives the payment initiation request, validates it and responds in real-time to Fast Payments accepting the payment request. Lily's bank sends an NPP credit transfer in real-time to PayLater's account at their bank.

5. PayLater's bank processes the payment and credits the payment to PayLater's account.

6. PayLater receives confirmation from Fast Payments that Lily's first instalment has been paid.

7. Lily can see in her banking app and in the PayLater app that her first instalment has been paid.

Setting up a Mandate

1. Corporate ABC signs up to use CloudPay to do their company's payroll run.

2. Corporate ABC provides their details to CloudPay in order to authorise CloudPay to perform their payroll run from their bank account.

CloudPay who is an Identified Institution requests its sponsoring NPP Participant to create a mandate in the Mandate Management Service (MMS) for Corporate ABC.

3. CloudPay's sponsoring NPP Participant creates a Mandate in the Mandate Management Service (MMS).

4. CloudPay's bank (where CloudPay's corporate account is held) gets a notification from the MMS that a new mandate has been created and needs to be authorised by Corporate ABC.
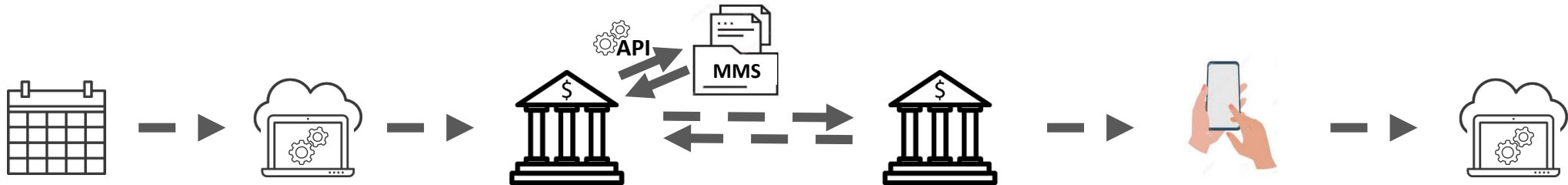
5. Corporate ABC receives a request to authorise the mandate for CloudPay via their banking channel. CloudPay's authorised financial signatory (or signatories) authorises the mandate.

6. CloudPay's bank confirms the authorisation of the mandate to the MMS.

7. The MMS sends a notification back to CloudPay's sponsoring NPP Participant to say the Mandate has been authorised.

8. CloudPay's sponsoring NPP Participant confirms back to CloudPay that the Mandate has been authorised.

New Payments Platform

Payment Initiation

1. Corporate ABC's payroll run is due to be conducted.

2. Corporate ABC follows their normal payroll processes and instructs CloudPay to pay their payroll. CloudPay sends a Payment Initiation request for Corporate ABC's bank to pay Corporate ABC's employees.

3. CloudPay's sponsoring NPP Participant makes an API call to the MMS to validate the Mandate record and that the payment initiation request is within the terms of the Mandate. Validation is successful and CloudPay's sponsoring NPP Participant sends the payment initiation request to Corporate ABC's bank.

4. Corporate ABC's bank receives the payment initiation request, validates it and responds in real-time to CloudPay's sponsoring NPP Participant accepting the payment request. Corporate ABC's bank sends NPP credit transfers in real-time to all of Corporate ABC's employees for their salary payments which may be at multiple financial institutions.
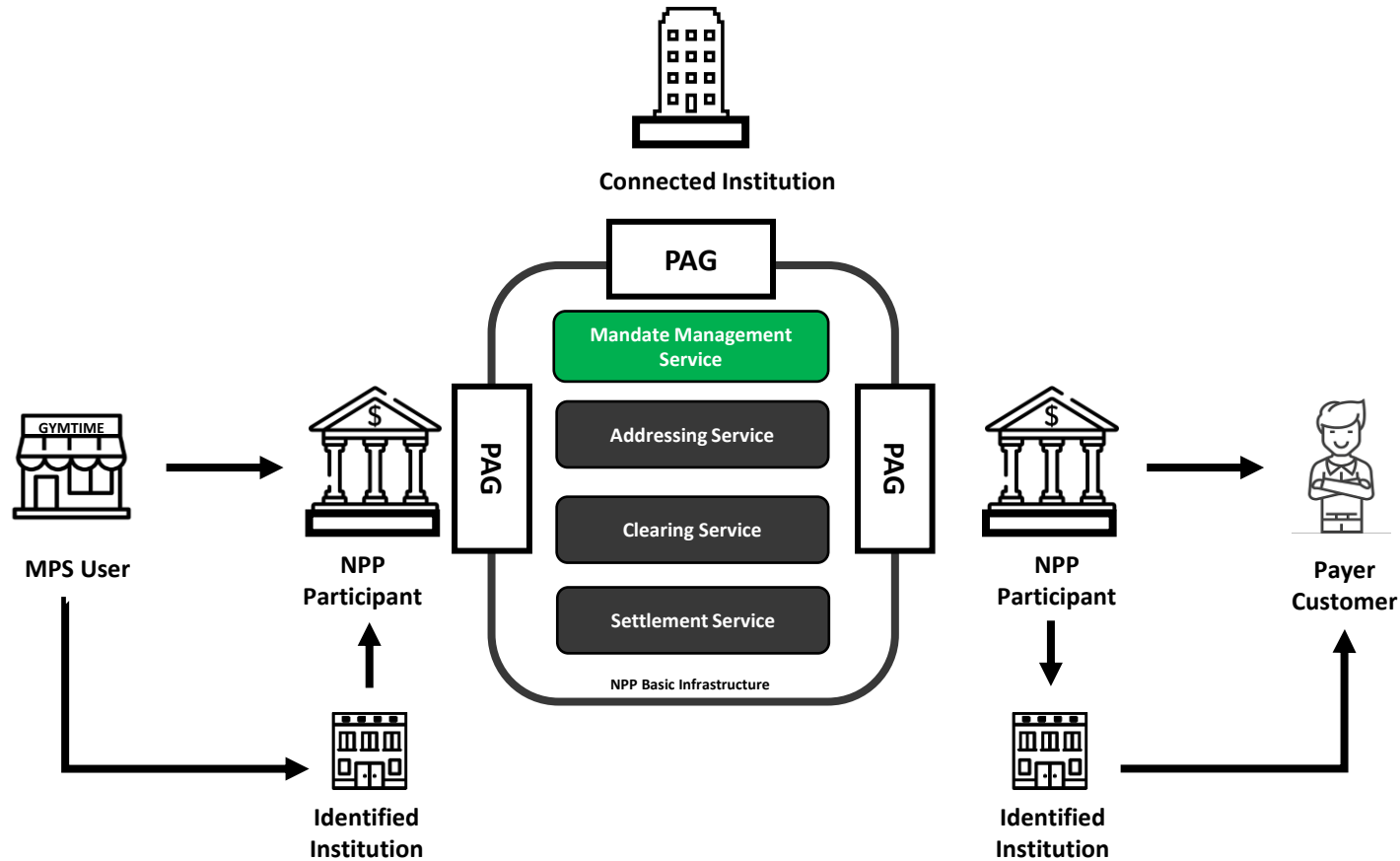
5. Corporate ABC's employees see their salaries have been paid.

6. CloudPay receives confirmation via their sponsoring NPP Participant that Corporate ABC's salary payments have been successfully processed.
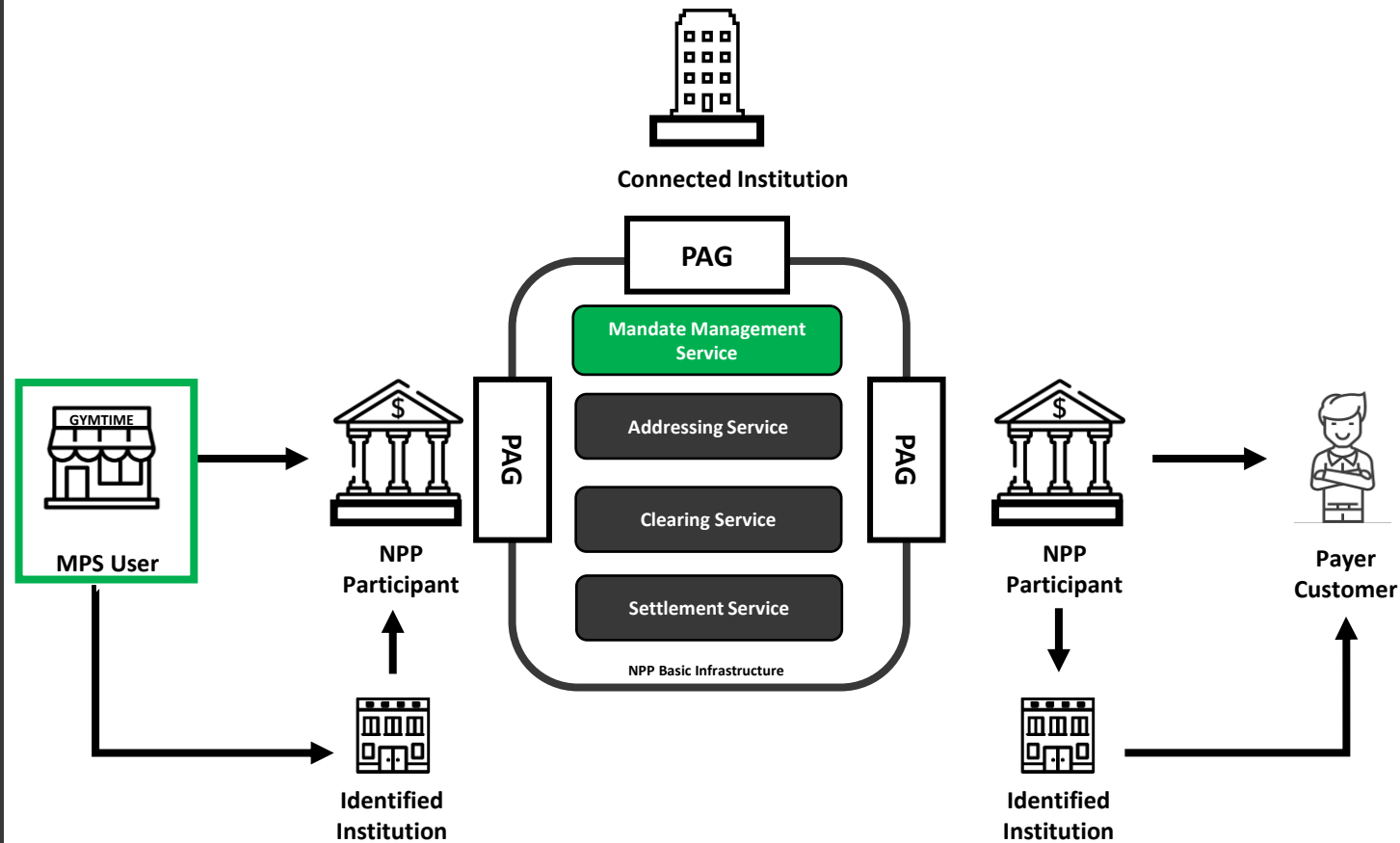
Accessing the MPS

New Payments Platform

Accessing the MPS

"A key feature of the MPS is that third parties wanting to initiate payments only require one access point to the NPP infrastructure in order to be able to initiate payments from one of the 68.5 million and growing NPP enabled accounts."
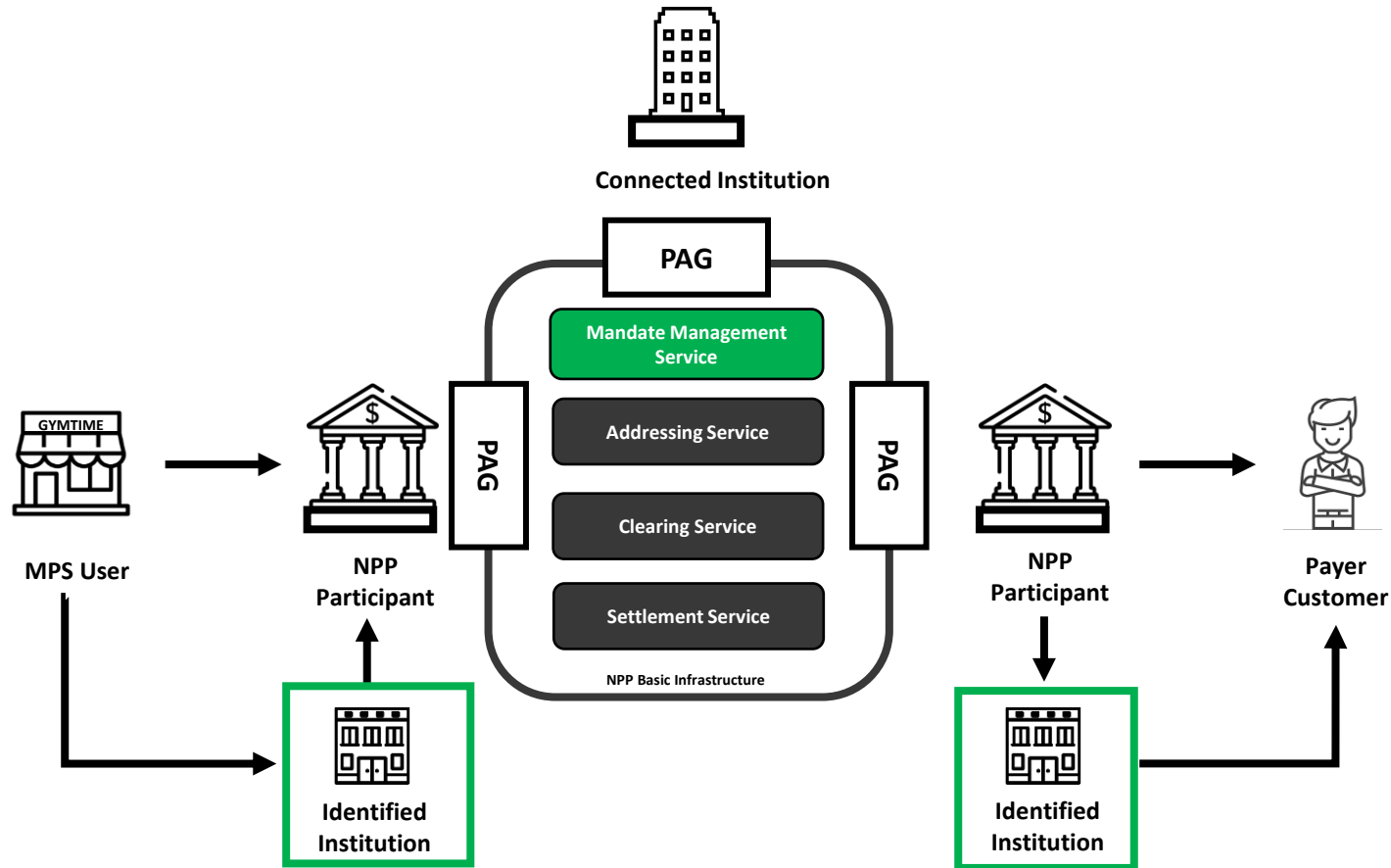
MPS User

An MPS User can be:
- A creditor, such as a merchant or biller, who wants to offer MPS services to their customers
- A service provider, for example, an organisation providing payment services to a merchant who manages customer mandates and payments for that merchant
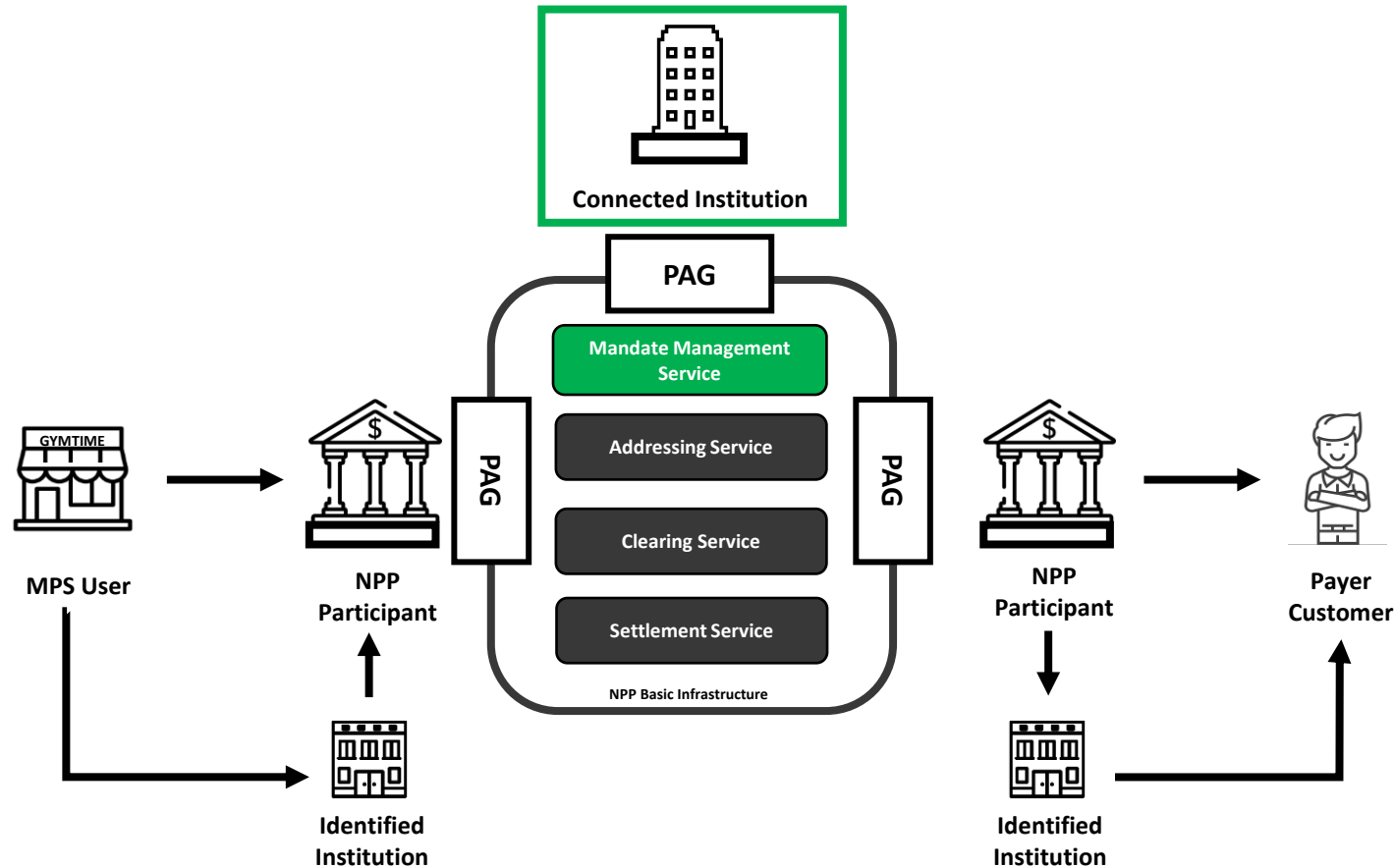
MPS Users are sponsored by a financial institution offering MPS services (this could be either an NPP Participant or an Identified Institution), under a commercial arrangement.

Identified Institution

- A Third Party could be an Identified Institution and offer MPS services to other organisations (if approved to do so by their sponsoring NPP Participant)

- Identified Institutions connect to the NPP indirectly, via a directly connected NPP Participant

- A commercial arrangement is required between the NPP Participant acting as the sponsoring direct connector and the organisation seeking indirect access as an Identified Institution

- Being an ADI is not one of the eligibility requirements

Connected Institution

Connected Institution

PAG

PAG

Mandate Management Service

Addressing Service

Clearing Service

Settlement Service

PAG

NPP Basic Infrastructure

GYMTIME

MPS User

NPP Participant

Identified Institution

NPP Participant

Payer Customer

Identified Institution

A Connected Institution connects to the NPP infrastructure directly by installing an NPP payment gateway in their own environment.

They can offer MPS services to their clients which include:
- Creating Mandate records for authorisation by Payer Customers
- Sending Mandate Payment Initiation Requests which have been authorised by the Payer Customer
- Mandate maintenance functions

A Connected Institution must comply with the obligations and rules relating to accessing and using the MPS, and meet certain technical requirements. However, they do not need to be an ADI.

A third party wanting to initiate payments could also be a client of a Connected Institution who is offering MPS services.

Access options

Business objective

"I want to be able to receive payments from my customers on a regular basis, e.g. for monthly bills"

"I want to be able to request payments from my customer's accounts, e.g. to fund their use of my digital wallet"

"I want to be able to offer payment initiation services to other organisations, e.g. so I can offer payroll services to my corporate customers"

Commercial considerations

"Do my transaction volumes warrant connecting directly?"

No →

Yes →

"Do my transaction volumes warrant connecting directly?"

No →

Yes →

Most appropriate access option(s) for MPS

- MPS User
- Client of Connected Institution
- Connected Institution

- Identified Institution
- Connected Institution

Q&A

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Further information

In summary, the Mandated Payments Service capability that is being developed by NPP Australia will support real-time, customer authorised, third party payment initiation from bank accounts.

Further information on the MPS can be found on our website:

www.nppa.com.au/news-updates/

If you have any questions, please email us at:

info@nppa.com.au

We will provide further updates as the project progresses. Please follow us on LinkedIn to receive updates

Thank you

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