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Overlay Services

Process for assessing
potential Overlay Service
Provider Applications

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NPP AUSTRALIA LIMITED
ABN: 68 601 428 737



Introduction

The New Payments Platform (**NPP**) has been designed to support a 24/7 modern, digital economy. It provides a fast, flexible and data-rich payments system for Australian consumers, businesses and government agencies, enabling them to make real-time data rich payments between accounts at participating Australian financial institutions. The NPP is new utility payments infrastructure commissioned and funded by NPP Australia Limited's (**NPPA**) founding shareholders¹ for and on behalf of the Australian payments industry.

The NPP brings enormous potential for future payments innovation through its speed, data capability, open-access design and unique layered architecture. The platform is intended to support multiple products and services as well as enable more digital processes, which will deliver back-office efficiencies and cost savings to Australian businesses and government agencies.

Since the NPP launched to the public in February 2018, more than 80 banks, credit unions, building societies and fintechs have connected to the NPP (either directly or indirectly) to provide fast payment services to their customers. More than 66 million accountholders are now able to make and receive payments via the NPP and this number continues to grow. Fast payment services are now available to Australian retail customers and increasingly to business and corporate customers of participating financial institutions.

The platform is now processing an average of around 750,000 payments worth an average of \$700 million each day. The platform recently processed over \$1 billion in transactions in a single day. Approximately 3.5 million PayIDs have been registered by customers wanting to receive faster payments to their bank account via their PayID.

The NPP has extensive capabilities, in particular:

- **Real-time movement of funds**, 24 hours a day, seven days a week, 365 days of the year with no cut-off times;
- **Extensive data capabilities** with the ability to carry additional data end-to-end together with the payment using the ISO 20022 message structure. The initial service launched on the NPP, Osko, is capable of carrying up to 280 characters of unstructured remittance information;
- **Real-time line-by-line settlement** which reduces systemic risk and optimises liquidity management; and
- **Simple addressing** with the PayID Addressing Service which enables payments to be directed to an account using an easy to remember alias (a PayID) which has been linked to an underlying bank account. The platform also continues to support payments using BSB and account numbers.

NPP and Overlay Services

The NPP has been designed to enable organisations to utilise the platform's capabilities in a number of ways, according to their business needs and objectives². One way that an organisation may choose to interact with the platform is by developing an 'Overlay Service' as an 'Overlay Service Provider'.

¹ Current shareholders: Australia and New Zealand Banking Corporation, Australian Settlements Limited, Bendigo and Adelaide Bank Limited, Citigroup Pty Ltd, Commonwealth Bank of Australia, Cuscal Limited, HSBC Bank Australia Limited, Indue Limited, ING Direct, Macquarie Bank Limited, National Australia Bank Limited, Reserve Bank of Australia and Westpac Banking Corporation.

² For more information on different ways to access the platform, see www.nppa.com.au/the-platform/accessing-the-platform/



An Overlay Service is a product or service that uses the NPP infrastructure's capabilities, potentially in a customised way to define a bespoke payment service or process. The first overlay service launched from the platform is Osko by BPAY. Through Osko, BPAY has defined the 'messages' or 'rules' that decide how an Osko payment will travel along the NPP in regard to speed, the type of information that goes with the payment and what the end customer experience is. Overlay Service Providers offer their product or service to NPP Participants and Identified Institutions who can choose to opt in to the product or service and distribute it to their customers.

It is important to note that many payments innovation or processes will be able to leverage the existing service and capabilities of the platform and will not require a specific Overlay Service to be established.

Using the platform's existing (or future) capabilities is likely to meet the business needs of many organisations. This requires a commercial relationship with only one participating financial institution as payment messages sent via one participating financial institution can reach all available accounts on the NPP. Based on our experience in handling enquiries from over 500 fintechs and other interested organisations, the vast majority of organisations simply want to be able to use the NPP in some manner (similar to the way that these organisations access existing payment systems today). This enables these organisations to develop their core offering outside of the platform according to their business objectives.

We are starting to see a number of organisations using the platform's capabilities to make and receive NPP payments, ranging from new neobanks, payment service providers, cross-border remittance companies and cryptocurrencies, financial wellness fintechs and even the government for emergency disaster relief payments. See www.nppa.com.au/category/case-studies/ for a number of case studies on the platform.

Given the underlying native capabilities of the NPP in terms of speed, reach, extended availability, addressing features, governance and processing rules, settlement model and enhanced data capability, the NPP is capable of meeting most organisations' business objectives and use cases today. Moreover, NPPA is committed to ongoing investment in extending and enhancing the capability of the platform in order to meet the needs of participating financial institutions, payment providers and users of the wider payments ecosystem. In October 2019, NPPA will be publishing its roadmap which will provide information on additional capabilities being developed on the platform.

Becoming an Overlay Services Provider

An organisation is eligible to become an Overlay Service Provider if it can demonstrate:

1. It is licenced to operate in Australia as a body corporate
2. It has a sound business plan backed by the required expertise for their proposed product or service
3. It is financially solvent

For more information, see Regulation 4.8 of the NPP Regulations available at www.nppa.com.au.

An Overlay Service Provider has responsibility for determining:

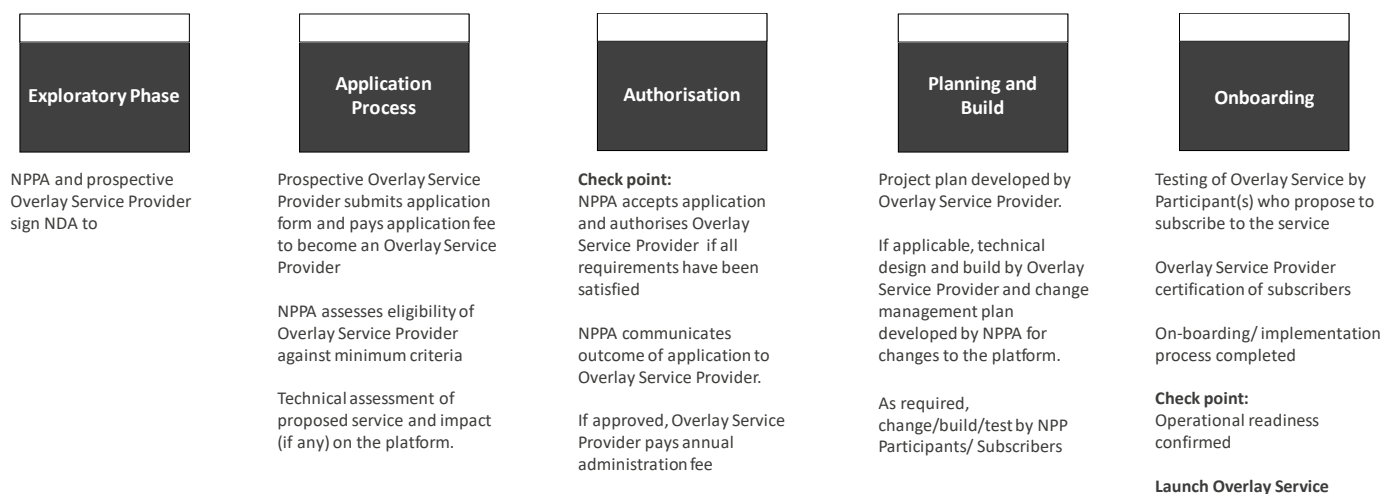
- Specifications for their proposed service such as the content of payment messages, posting standards and customer SLAs
- Branding (if any) of the service



- Ongoing governance of the service
- Commercial arrangements with NPP Participants and Identified Institutions who choose to subscribe to the service

NPPA’s process for assessing potential Overlay Service Provider Applications

NPPA has established rules and processes for assessing potential Overlay Service Provider applications and for onboarding and managing Overlay Services on the platform:



1) Exploratory phase

If an organisation is interested in becoming an Overlay Service Provider and offering a new Overlay Service on the platform, a mutual non-disclosure agreement (**NDA**) will be put in place between that organisation and NPPA in order to protect confidential information and proprietary intellectual property, as specified in the NPP Regulations (Regulation 4.9(a)(iii)). This NDA allows for a more open discussion and exchange of information between that organisation and NPPA management. A potential new Overlay Service Provider may also choose to engage in initial discussions with one or more Participants to develop their service.

2) Application process

If an organisation wishes to apply to become an Overlay Service Provider on the NPP, an application form needs to be submitted to NPPA and an application fee of \$15,000 paid. A copy of the application form is available upon request to NPPA.

As part of its application to become an Overlay Service Provider, an organisation will need to provide certain information (which will be covered under NDA) about its operations and its plans for an NPP Overlay Service, including:

- Company overview and financial records
- Technical details including proposed message set, data fields and message flows
- Product or service proposition
- Scheme rules and proposed governance model



The assessment of a new Overlay Service will primarily focus on the technical specifications and rules of the proposed product or service and due diligence of the potential Overlay Service Provider. This assessment is conducted by NPPA management.

3) *Authorisation*

An application for a new Overlay Service Provider will be accepted if all requisite information has been provided in order to adequately assess the proposed Overlay Service and if the due diligence conducted of the organisation is satisfactory. The assessment does not in any way involve a commercial judgement of the proposed Overlay Service.

If the proposed new Overlay Service requires no material changes to the existing NPP message set or processing rules (i.e. a business rules based Overlay Service or one requiring only minor modification to the platform's existing capabilities), then the Overlay Service Provider's application is assessed and determined by the NPPA CEO under delegated authority from the NPPA Board. It is envisaged that most new Overlay Service Provider applications will fall under this category.

If a prospective Overlay Service Provider's application is accepted, an annual administration charge of \$10,000 will be payable at that time, which covers the operational costs of establishing and maintaining the Overlay Service on the platform.

If a prospective Overlay Service Provider's application does not comply with the NPP Regulations and is not accepted, the applicant will be notified in writing and given reasons for this decision. The applicant may then choose to either request that a sub-committee of the NPPA Board review the decision (within three months of the initial decision) or alternatively, at any time, to lodge a new application for the proposed Overlay Service with updated or revised information.

If a prospective new Overlay Service Provider requires *material* changes to the existing NPP message set, processing rules or the development of new capability to support their Overlay Service, development costs will need to be agreed and the application will go to the NPPA Board for authorisation due to the greater degree of complexity and risk involved.

Authorisation of a new Overlay Service Provider by NPPA is separate from subscription by Participants and Identified Institutions to that Provider's Overlay Service, which may occur either prior to or after the Overlay Service Provider's application has been accepted.



4) *Planning and build*

Upon successful application to develop a new Overlay Service on the NPP, the Overlay Service Provider will need to develop an implementation plan for the development and testing of the new Overlay Service. If any technical change is required on the platform, NPPA will work with the Overlay Service Provider to incorporate the required changes into the platform's change management process and infrastructure release cycle. Any build or testing by NPP Participants or Identified Institutions who choose to subscribe to the new Overlay Service will need to be conducted at this time.

5) *Onboarding of new Overlay Services*

As the final stage to establishing an Overlay Service, NPPA will work with the Overlay Service Provider to onboard the Overlay Service onto the platform. The Overlay Service Provider will be responsible for managing the testing and certification process of any NPP Participants or Identified Institutions who choose to subscribe to the service.

In order to onboard a new Overlay Service, a closed user group is set up on the platform for that particular Overlay Service, which enables the transactions relating to that Overlay Service to be uniquely identified for the purposes of reporting, audit, billing and customer SLAs. If no technical changes are required to the platform, a new Overlay Service can be onboarded as part of the platform's monthly update process. Specific timeframes for onboarding new Overlay Services requiring change to the platform need to be determined and agreed in conjunction with NPPA management.

For further information regarding Overlay Services, please send an email to info@nppa.com.au.

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