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## **Connected Institutions**

Eligibility criteria and  
Admission process

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novation



Version 4.0

**July 2021**

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# 1 Introduction

This document is intended to help businesses that wish to become Connected Institutions to understand the requirements relating to eligibility, the admission process and ongoing obligations and outlines the approach that NPP Australia Limited (**NPPA**) takes to assessing applications. It is aimed at businesses that wish to connect directly to the New Payments Platform (**NPP**) and to use NPP payment initiation services.

Any inquiries related to this document should be directed to [info@nppa.com.au](mailto:info@nppa.com.au).

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## 2 What are Connected Institutions?

Connected Institutions are organisations that directly connect to the NPP via their own NPP payment gateway. Connected Institutions may use the NPP to send NPP payment initiation messages to financial institutions to request payments to be made from customers bank accounts.

There are two types of NPP payment initiation messages:

### 1. **PayTo payment initiation messages**

The PayTo service (formerly known as the Mandated Payments Service) enables customers to authorise third parties to initiate payments from their bank accounts using the NPP. Participating financial institutions are obliged to accept PayTo payment initiation messages when they have an authorised PayTo agreement from their customer, which provides the authority to process payments from the customer's account. PayTo is scheduled for delivery in mid 2022. Connected Institutions that join the NPP to use the PayTo service must demonstrate that they satisfy the obligations associated with using PayTo.

More information on PayTo can be found [here](#).

### 2. **Basic payment initiation messages**

The basic payment initiation service enables instructions for a payment to be initiated across the platform to the financial institution where the customer holds their bank account. Proprietary arrangements between the party initiating the payment and the receiving financial institution are required to be in place in order to address associated risk and liability issues (as occurs today with certain payment arrangements such as TNA's<sup>1</sup>). This service could be used to support certain use cases, such as a corporate making payroll payments to their employees via their payroll or accounting software provider. Unlike the MPS, financial institutions are not obliged by the NPP rules to accept basic payment initiation messages.

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<sup>1</sup> A Transaction Negotiation Authority (TNA) is an agreement between an account holder/their bank in favour of a third party, such as a payroll vendor, allowing that party to effectively make transactions on the account holder's behalf up to the authority limit.



### 3 Admission Process

The admission process includes five steps illustrated in Figure 1 below.

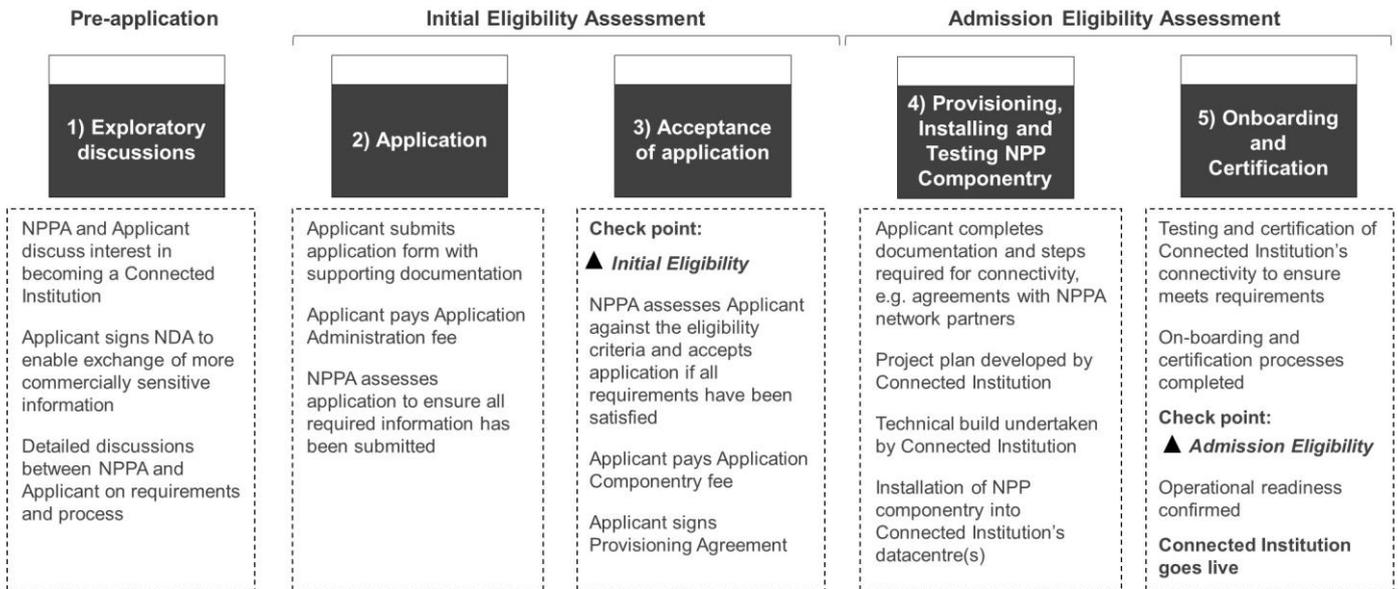


Figure 1. NPP admission process

#### 3.1 Eligibility assessment

Eligibility is assessed twice in the Admission Process:

- Initial eligibility assessment** – this is an assessment of an organisation’s ability to meet the initial eligibility criteria set out in Table 1 below. This assessment is undertaken during the Application phase of the Admission Process and then reviewed as part of the Acceptance of Application phase.

NPP componentry is not provisioned (and fees for components are not payable) until a prospective Connected Institution satisfies the initial eligibility criteria.

- Admission eligibility assessment** – this is an assessment of an organisation’s readiness to connect and ability to meet the admission eligibility criteria set out in Table 2 below. This assessment occurs during the last two steps in the Admission Process:
  - Provisioning, installing and testing NPP componentry
  - Onboarding and certification.

#### 3.2 Exploratory discussions

To assist prospective Connected Institutions with the preparation of their application and supporting material, NPPA suggests applicants meet with NPPA for a pre-application briefing. A mutual NDA is required to protect confidential information and proprietary intellectual property. This NDA allows for a more open discussion and exchange of information between the prospective applicant and NPPA, including pricing and more detailed technical connectivity requirements.

An NDA is available from NPPA upon request by emailing [info@nppa.com.au](mailto:info@nppa.com.au).

NPPA encourages discussion with prospective applicants about how they propose to use the platform’s capabilities. Prospective applicants that indicate their intention to use the Mandated Payments Service should note that the service is not yet available and has an expected delivery date of end 2021.



### 3.3 Application

An organisation wanting to become a Connected Institution needs to submit an Application with the required supporting information. The Application Administration fee is payable at this time. The Application form is available upon request by emailing [info@nppa.com.au](mailto:info@nppa.com.au).

NPPA Management will conduct an initial assessment of the Application and the supporting information to ensure all the required information has been supplied. The Applicant may need to provide further information if reasonably required. All information provided to NPPA by the Applicant will be covered under the NDA.

#### 3.3.1 Initial eligibility assessment

The initial eligibility criteria for Connected Institutions and supporting evidence that NPPA will accept is set out in Table 1. Connected Institution initial eligibility criteria below:

Initial Eligibility Criteria	Verification
Must be a body corporate, licensed to operate in Australia.	<b>Certificate of incorporation</b>
	<b>Copy of Constitution</b>
	<b>Organisational overview and company description</b> including: <ul style="list-style-type: none"> <li>• Company name and registered address</li> <li>• Company legal structure</li> <li>• Name/s of Material Shareholders (i.e. more than 5% holding)</li> <li>• Names of directors</li> <li>• Organisational structure, names and credentials of management team</li> <li>• Nature of business undertaking and services to be provided using the NPP, including details regarding services to be provided to any third parties</li> <li>• Name of external auditor</li> <li>• Three-year business plan</li> </ul>
Must agree that on becoming a Connected Institution, the NPP Regulations and the NPP Procedures will constitute a contract under seal between them and NPPA and between them and each other party.	Executed Participation Application
	Payment of Application Administration Fee
Must be able to comply with any applicable laws and must agree to act in good faith in the exercise of its rights and performance of its obligations under the NPP Regulations and the NPP Procedures.	<b>General Compliance Attestation</b> signed by an appropriate senior officer or executive that the applicant: <ul style="list-style-type: none"> <li>• Complies with all applicable laws in Australia and in any other jurisdiction in which it provides payment services / other services</li> <li>• Is in all respects a fit and proper person, and that neither it or any associated person (including directors and managers), has been convicted of a serious crime or dishonesty offence within the past 10 years, contravened a law relevant to money-laundering, regulatory reporting, privacy, data security or been subject to a determination relating to interference with privacy</li> <li>• To the extent that it holds or has held regulatory licences (e.g. Australian Financial Services Licence or Australian Credit licence) it is / has always been in good standing with ASIC</li> <li>• To the extent that it is or has been a Reporting Entity under the <i>AML/CTF Act</i> it is / always has been in good standing with AUSTRAC</li> </ul>



	<ul style="list-style-type: none"> <li>• Is not party to any current or pending legal actions relating to non-performance and non-delivery or breach of contract, intellectual property disputes, or other actions against the applicant, directors or management or any proposed subcontractors</li> </ul>
<p>Must agree to pay all fees, costs, charges and expenses which may be levied on, or which are to be reimbursed by, Connected Institutions in accordance with the NPP Regulations.</p>	<p>Business Plan, balance sheet and projected financial statements for the first three years of operation after the date of application. The business plan should explain the applicant's expected use of NPP (transaction volumes) and show expected payments clearing arrangements (e.g. payment initiation messages submitted to initiate payments from own / controlled accounts or use of the PayTo service for third party payment initiation or both).</p> <p>Projected financial statements must demonstrate capacity to meet prospective financial liabilities (including Transaction Fees and indemnity obligations).</p> <p>Insurances to cover potential claims against the Connected Institution:</p> <ul style="list-style-type: none"> <li>• Professional Indemnity</li> <li>• Cybersecurity Insurance</li> <li>• Contractual Indemnity Insurance.</li> </ul> <p><i>For participation in PayTo, insurances and coverage will need to adequately address the liability that may be incurred under indemnities relating to the creation of PayTo agreements and management and claims for unauthorised payment initiation.</i></p> <p>Satisfactory credit check.</p>
<p>Must demonstrate, to the reasonable satisfaction of NPPA that its business practices and operations will be sound and secure and will not adversely affect the integrity, security, efficiency, reliability or stability of the NPP Basic Infrastructure.</p>	<p><b>Operations Plan:</b></p> <ul style="list-style-type: none"> <li>• 24/7 operational support plan</li> <li>• Business Continuity Plan</li> <li>• Details of subcontractors or third party service providers to be used</li> <li>• Incident Management Plan</li> </ul> <p><b>Corporate Governance Statement summarising the applicant's:</b></p> <ul style="list-style-type: none"> <li>• Compliance with ASX Corporate Governance Principles (whether or not a listed entity) 1 through 4 and 7</li> <li>• Director and Employee Code of Conduct</li> <li>• Privacy policy</li> <li>• Information Security Governance Policy (that covers the exposure and potential for harm from security threats and the plan to address those threats) and assurance plan (see Report requirements below)</li> <li>• Risk Management Policy</li> <li>• Whistleblower Policy</li> <li>• Anti-Bribery and Corruption Policy</li> <li>• Modern Slavery</li> </ul> <p><b>Information security assurance</b>, in the form of an assurance <b>Report</b> prepared in accordance with the Australian Standard on Assurance Engagements 3150 Assurance Engagement on Controls.</p> <p><b>If applicable, details of Dispute Resolution Policy and Procedures including details of the applicant's internal process</b></p>



	that complies with ASIC's <a href="#">Regulatory Guide 165 (Licensing: Internal and external dispute)</a> which provides for the management of complaints arising from participation in the NPP and membership of the <b>Australian Financial Complaints Authority's dispute resolution scheme</b> .
Must be solvent (within the meaning given to that term in the Corporations Act) and otherwise able to meet the financial obligations imposed on Connected Institutions by the NPP Regulations and the NPP Procedures.	<p><b>Financial information:</b></p> <ul style="list-style-type: none"> <li>• Audited consolidated financial statements for the most recent two financial years <i>OR</i> if it does not have its own financial statements audited, its most recent unaudited financial statements and the most recent audited financial statements of the corporate group of which it is part</li> <li>• If applicable, details in relation to any major impairments / loss / write-offs over the past 2 years</li> </ul>

Table 1. Connected Institution initial eligibility criteria

### 3.4 Acceptance of application

The NPP Governance Committee (comprised of the Independent Directors) will review the Applicant's application and either:

1. Confirm that the Application has been accepted because it meets the requirements.
2. Request more information if there is insufficient information to make a decision.
3. Decline the Application if the initial eligibility criteria has not been met.

If the Application is accepted, NPPA will notify the Applicant of their approval to commence provisioning NPP Componentry. The Applicant will need to execute a Provisioning Agreement with NPPA and pay the Application Componentry Fee at this time. The Provisioning Agreement enables the Applicant to obtain the software and hardware that constitutes the NPP payment gateway and confirms the services the Applicant requires to establish, maintain and operate their connectivity. The Applicant is required to provide details of their planned technical design and service offering which NPPA will review with SWIFT to determine their entitlement level of NPP Componentry. The Provisioning Agreement also includes indemnities given by the Applicant in favour of NPPA and other parties.

#### 3.4.1 Right to appeal decisions

If an Application is not accepted, the Applicant will be notified in writing and reasons given for the decision. The Applicant may then request that a sub-committee of the NPPA Board review the decision (within three months of the initial decision) or can, at any time, lodge a new application with updated or revised information.

### 3.5 Provisioning, installing and testing NPP componentry

The Applicant then needs to complete the documents and steps required to install NPP componentry, including taking steps to implement network connectivity arrangements with two approved vendors, as network connectivity is not supplied by NPPA. The Applicant, in conjunction with NPPA, will need to develop an implementation plan for the installation and testing of NPP componentry.

#### 3.5.1 Admission eligibility assessment

An Applicant who meets the Initial Eligibility Criteria to become a Connected Institution is authorised to commence provisioning NPP Componentry, which must then be tested and certified as being compliant before the Applicant can commence live operations.



The checklist of connectivity requirements for the Admission Eligibility assessment is set out in Table 2. Connected Institution admission eligibility criteria below:

Admission Eligibility Criteria	General Requirement
Be a SWIFT User or Domestic SWIFT User and a BIC 11 Holder	Written notice from SWIFT confirming status and BIC details
Execute a Provisioning Agreement and pay NPP Application Componentry Fee	Provisioning Agreement to be executed before any NPP Componentry is supplied by NPPA/SWIFT
Enter into a Network Agreement with at least two Vendor Network Partners	<p>Prospective Connected Institutions will need to contract directly with two of the three SWIFT-approved Vendor Network Partners to establish a link between their premises and the NPP network. These arrangements are subject to commercial negotiation between the Prospective Connected Institution and the Vendor Network Partner and NPPA does not control these fees. The cost of these arrangements is likely to be determined by the capacity required.</p> <p>Provide written confirmation from Vendor Network Partner/s once agreement executed</p>
Be able to demonstrate compliance with the NPP Regulations and the NPP Procedures	<p>Further Compliance Attestations including</p> <ul style="list-style-type: none"> <li>• General attestation of ability to comply with NPP Regulations and Procedures</li> <li>• Attestation of compliance with Security Requirements*</li> <li>• Attestation of ability to comply with Addressing Service Information Security and Use Requirements* if the Addressing Service is used</li> </ul> <p>* requires <b><i>independent third party sign off</i></b></p>
<p>Meet Connectivity Requirements</p> <ul style="list-style-type: none"> <li>• Testing</li> <li>• Certification</li> </ul>	<p>SWIFT to provide Go Live Certification to NPPA: Evidence that NPP Componentry supplied to Applicant under Provisioning Agreement is installed, configured, tested and operates as required.</p> <p>Executed NPPA Certification Testing: Completion Certificate</p> <ul style="list-style-type: none"> <li>• Satisfactory completion of tests related to all functional and non-functional requirements applicable to Connected Institutions</li> </ul>
BRDT Onboarding	<p>The Business reference data tables are updated on a monthly basis. Following completion of testing and certification, the applicant will need to advise NPPA when they will be ready to Go Live. The Connected Institution's BIC details will be loaded into the BRDT at the next scheduled update after their Go Live date and all existing Participants and Connected Institutions notified.</p>

Table 2. Connected Institution admission eligibility criteria



### **3.6 Onboarding and certification**

NPPA will work with the Applicant to onboard them to the platform and complete the steps required to finalise the Admission Process.

Once the certification process has been completed, the Applicant will be provided with a certificate from SWIFT. The NPP Governance Committee will then either:

1. Confirm that the application is accepted and finalised, and the Applicant may go live on an onboarding date to be agreed with NPPA.
2. Request more information if there is insufficient information to make a decision.
3. Decline the request for the Applicant to go live because the Applicant has not met the connectivity requirements.

If the Applicant is deemed ready to go live, NPPA will notify the Applicant and the Applicant will be onboarded on a date agreed with NPPA (this activity is incorporated into the platform's monthly update process, i.e. onboarding may occur once a month on a specified date).



## 4 Rights and obligations of Connected Institutions

Connected Institutions have ongoing obligations after they successfully complete the NPPA Admission Process and become connected to the NPP. These obligations are outlined in Table 3. Ongoing obligations for Connected Institutions below:

Obligations	
<b>Compliance</b>	<p>Compliance obligations include:</p> <ul style="list-style-type: none"> <li>• Complying with the NPP Regulations, NPP Procedures and Back Office Design Considerations (Rules), specifically in relation to network and information security compliance, PAG availability and responsible use of the platform</li> <li>• Participation in the annual NPP attestation process including attestation to compliance with the NPP Security Framework and Addressing Service Protocol (if accessing the Addressing Service)</li> </ul>
<b>NPP Services</b>	Meet the requirements of NPP Services such PayTo if the service is used
<b>Technology maintenance</b>	<p>Maintain the NPP connectivity requirements including:</p> <ul style="list-style-type: none"> <li>• Implementing NPP maintenance plans that set out the requirements and timeframes for the release, testing and deployment of regular and ad hoc software patches and upgrades for the NPP</li> <li>• Ensuring that its connection to or use of the NPP Basic Infrastructure does not adversely affect the efficiency, reliability or stability of the NPP</li> <li>• Notifying NPPA of technical defects and disabling events</li> </ul>
<b>Security</b>	<p>Maintain the NPP network and information security standards and requirements prescribed for Connected Institutions including:</p> <ul style="list-style-type: none"> <li>• Ensuring that its connection to or use of the NPP Basic Infrastructure does not adversely affect the integrity or security, of the NPP</li> <li>• Keeping all NPP data secure</li> <li>• Notifying NPPA of relevant breaches</li> </ul>
<b>Fraud</b>	Have systems in place to detect and prevent NPP Services from being accessed and used fraudulently
<b>Confidentiality</b>	Comply with all confidentiality obligations related to NPPA and the platform
<b>Fees</b>	Pay all fees, costs and charges including fees for NPP messages

Table 3. Ongoing obligations for Connected Institutions

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