



Service Overview

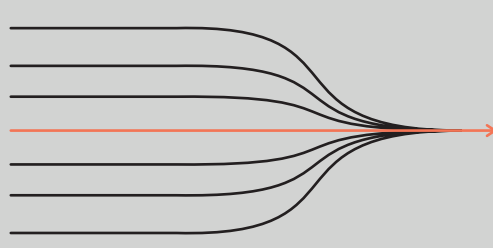
November 2021

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Background

NPP Australia has been working with the financial services industry to develop the PayTo service. PayTo will enable customers to authorise third parties to initiate payments from their bank accounts. This new business service is foundational capability that will enable a broad range of use cases, providing a springboard for future innovation.



A multi-year programme of work, PayTo is now in build and implementation stage and is planned to commence rolling out from mid-2022.

For more information about NPP Australia and its roadmap, visit nppa.com.au

Introducing PayTo

PayTo is a new, digital way for businesses and merchants to initiate real-time payments from their customer's bank accounts. It provides customers with more visibility and control over their payment arrangements through an enhanced, digital customer experience.

PayTo is set to modernise the way bank accounts are used for payments, underpinning innovation in the sector for years to come.



For businesses

PayTo payments keep business moving. It's the smart way to do business with real-time, data-rich and reliable payments that remove the uncertainty of making and receiving payments from bank accounts.



For payer customers

PayTo gives payer customers more control over payments from their bank account within the security of existing online or mobile banking. With the ability to view and manage PayTo agreements in one place, PayTo makes life admin that little bit easier.



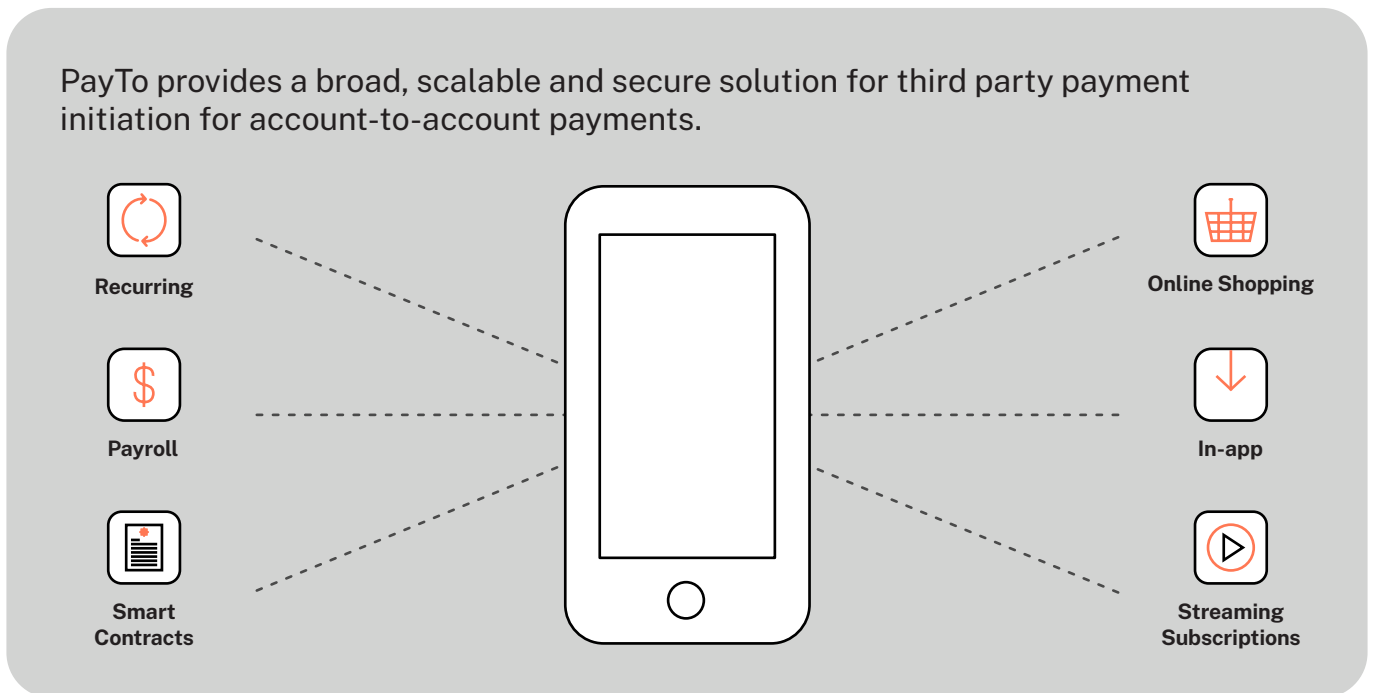
Multiple use-cases

PayTo supports a range of use-cases including recurring or subscription payments, ecommerce and in-app payments, one-off payments, funding for other payment options like digital wallets and third-party services, such as corporate payroll.

PayTo use cases

PayTo goes beyond being an alternative to direct debit by also supporting the linking of bank accounts for in-app payments, account-on-file type arrangements for ecommerce and subscription services, funding for other payment options like digital wallets and buy now, pay later services and for one off payments.

PayTo can also be used by businesses to enable third parties to conduct payments on their behalf, such as corporate payroll and accounts payable.



Businesses can use PayTo together with **QR codes** to transform the customer experience for frequent or ad-hoc payments

Businesses can use PayTo to streamline payments for outsourced functions like **payroll** and **accounts payable**

Customers can use PayTo to debit their bank account for **buy now, pay later payments** and to fund **digital wallets**

Integrating PayTo with **eInvoicing** means businesses can get paid faster

With PayTo, customers can use their bank account as a payment method for **online purchases** and **subscriptions**

Fintechs can use PayTo to deliver **improved customer outcomes** and create **innovative new solutions**

Benefits for businesses

PayTo will deliver tangible benefits to businesses who use the service to initiate real-time payments.

- ✓ Real-time account validation when a PayTo agreement is created
- ✓ Real-time funds verification at the time of payment
- ✓ Real-time notification of payment outcomes
- ✓ Can be supported by APIs to deliver a seamless process
- ✓ PayTo agreements contain information and data to support easy reconciliation
- ✓ Notifications when a PayTo agreement is paused, changed or cancelled
- ✓ Centralised, secure storage of PayTo agreements which are readily accessible

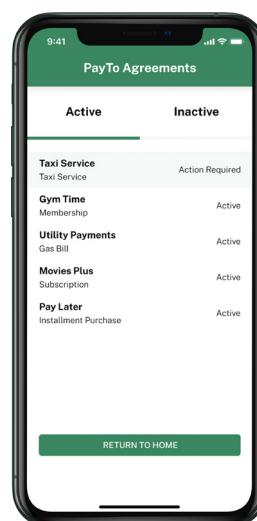


PayTo helps businesses thrive in a digital economy with fast, reliable and secure payments that keep money moving 24/7.

Benefits for consumers

PayTo gives customers a fast and secure payment option, with visibility and control to help make life admin that little bit easier.

- ✓ PayTo gives more control over payments from bank accounts
- ✓ View and manage PayTo agreements within internet or mobile banking
- ✓ See all PayTo agreements that have been set up in the one secure place
- ✓ Customers can choose to use either PayID or a BSB and account number, making it easy to set up PayTo agreements



Authorise



Pause



Cancel

How PayTo works

Customer authorisation is at the core of PayTo

PayTo enables payments to be initiated by third parties in a safe and secure manner. Customers provide their explicit authorisation for payments to be processed from their bank account in advance of any payments being processed.

This authorisation is captured in the creation of a digital payment arrangement, referred to as a 'PayTo agreement'.

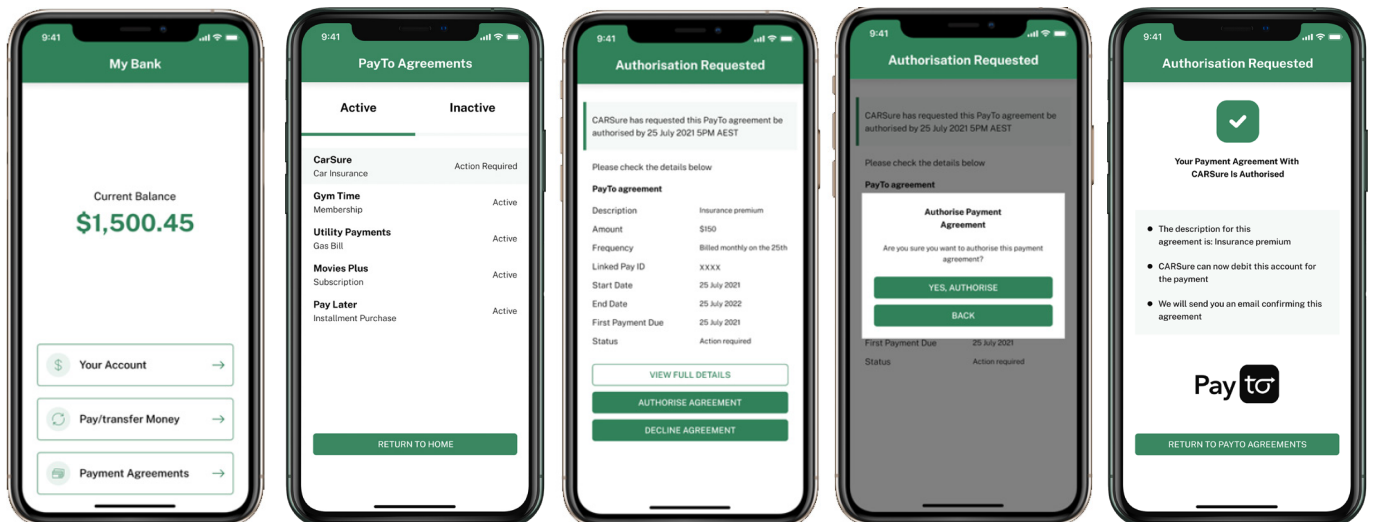
A **PayTo agreement** serves as a record of the customer's authorisation for payments to be initiated from their account by a specified third party.

It is typically authorised within the customer's internet or mobile banking environment, benefiting from the bank's secure authentication practices in place today.

Customer experience

Guidelines and prototypes are available to assist in the design and delivery of a consistent customer experience. The CX guidelines focus on the authorisation process and also take into account the relevant experiences from those designed for Consumer Data Right.

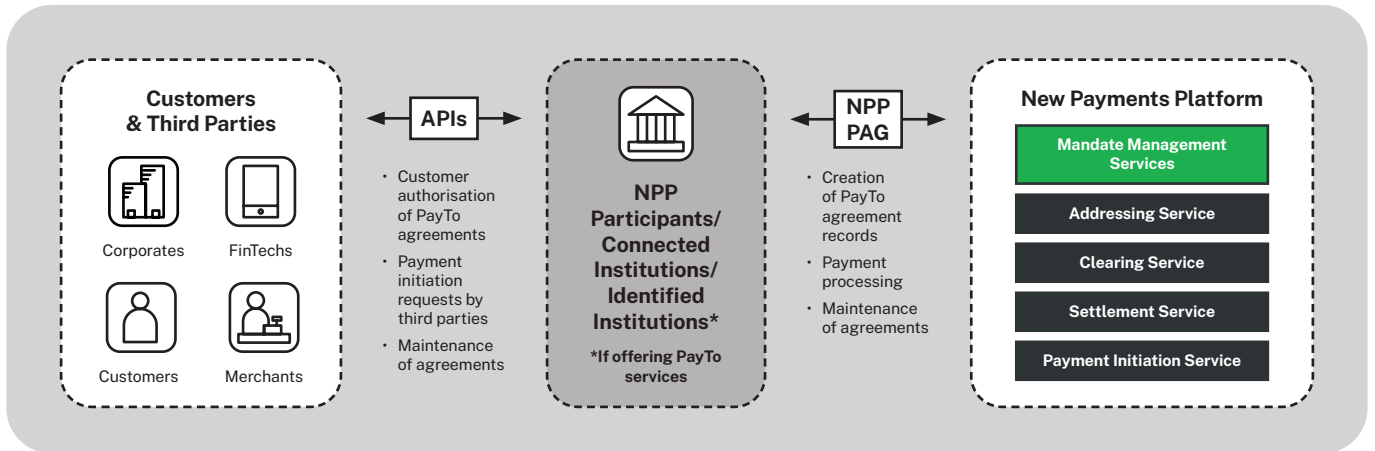
Illustrative customer experience (authorisation in payer customers' banking app):



PayTo agreements are stored centrally and securely

All PayTo agreements are created, stored and maintained in a central database, the **Mandate Management Service**, or 'MMS'. The MMS is owned and operated by NPP Australia.

Overview of PayTo connectivity:



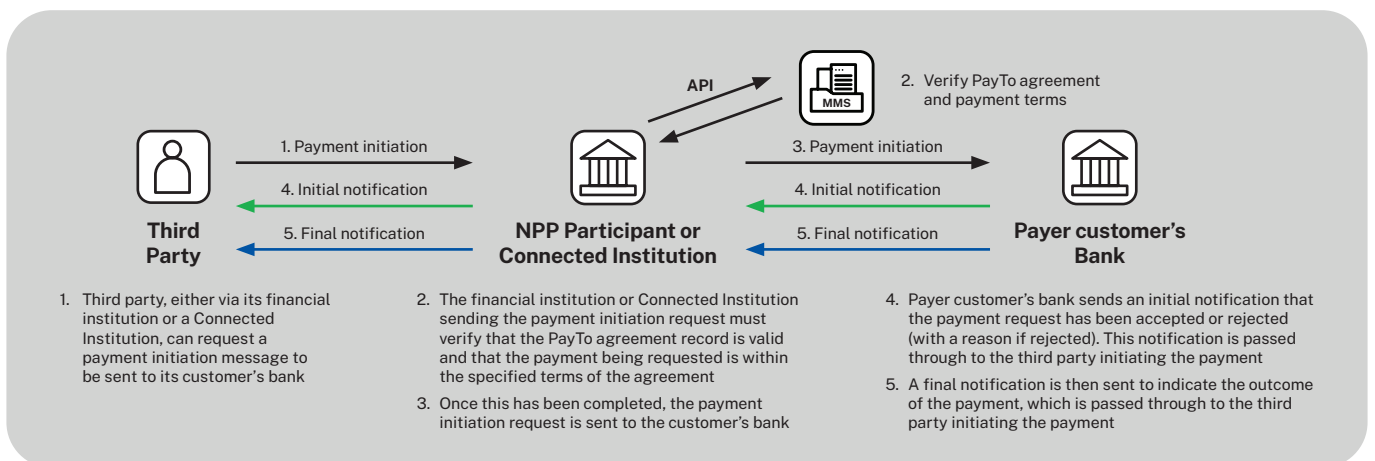
Third parties using PayTo to initiate payments can easily access PayTo agreements that they are a party to via APIs with the financial institution or Connected Institution providing them with PayTo services. PayTo agreements can also be accessed by the payer customer's financial institution.

Payment initiation

Once a PayTo agreement has been created and authorised by the payer customer, the relevant third party, via its sponsoring institution, can request a payment initiation message to be sent to the payer customer's financial institution.

Business rules for the PayTo service provide assurance that the payment initiation messages will be acted upon by the financial institution holding the payer customer's bank account. These defined rules include provisions relating to risk and liability.

Overview of payment initiation process:



In the event that a payment is not successful at the initial attempt, there is a process and rules in place for third parties to retry initiating a payment from the payer customer's account.



Payment initiation messages can be submitted in a range of formats, including real-time via API, ISO message format and possibly in batch form. The specific options available for integration and submitting payment initiation requests is determined between the third party wanting to use the PayTo service and the organisation providing them with access to the NPP and PayTo.

PayTo functions

Both payer customers and authorised third parties can perform several functions to ensure PayTo agreements are appropriately managed, kept up to date and are accurate.

Maintenance functions include being able to:



Amend

Once a PayTo agreement is created, amendments can be made to certain information contained in an agreement. Depending on the type of amendment made, further authorisation may be required by the payer customer.



Cancel

PayTo agreements can be cancelled at any time. Once cancelled, a PayTo agreement cannot be used to initiate any further payments. Cancelling an agreement does not change any contractual arrangement between the payer customer and the third party initiating the payment.



Pause

PayTo agreements can be paused resulting in any associated payments being paused. A paused agreement can be activated again by the party who paused it.



Transfer

PayTo agreements can be moved from an account held at one bank to another account at a different bank. Transferring agreements does not change the payment terms. Online transfer functionality will be available from July 2023. In the interim, payer customers can move agreements by contacting their financial institution.

PayTo offers rich data capability

PayTo agreements offer considerable flexibility with a range of available data fields. Data that is contained in a PayTo agreement includes the name of the payer customer, their bank account or PayID details, details of the payment initiator and the frequency and amount of the payments that the customer has pre-authorized.

In addition to these mandatory data fields within a PayTo agreement, optional fields can be populated depending on the needs of the payer customer and the party initiating the payments.

Use of these optional fields enable additional data to be included in a PayTo agreement that more accurately describes the terms of the payer customer’s authorisation including, for example, payment type (recurring, one-off or ad hoc), any ultimate creditor’s name, descriptions and creditor’s reference/s.

The format of PayTo agreements and the data that can be included in both the payment initiation message and the resulting NPP payment message offers significant benefits in terms of data quality and visibility, compared to the relatively opaque nature of direct debit arrangements established under the BECS Direct Entry system, particularly if the payment is being facilitated via an intermediary.



PayTo’s rich data capability supports better matching and easier reconciliation.

Data elements required for creating a PayTo agreement:

Category	Mandatory Requirements	Optional Fields
Mandate Details	<ul style="list-style-type: none"> Initiating Party Name (trading) Initiating Party ID (e.g. ABN, ACN) Initiating Party Legal Name Description Start Date 	<ul style="list-style-type: none"> End Date Short Description Purpose Transfer Details Automatic Renewal
Payment Details	<ul style="list-style-type: none"> Frequency First Payment Date Payment Amount Type Amount (if Fixed or Balloon payment type) 	<ul style="list-style-type: none"> Last Payment Date Don't Execute Before Time Point in Time Count per Period First Payment Amount Last Payment Amount Maximum Amount
Debtor Details (Payer Customer)	<ul style="list-style-type: none"> Debtor Type Debtor's Name Debtor Account Type Debtor Account or Alias Debtor Account Servicer 	<ul style="list-style-type: none"> Debtor Reference Ultimate Debtor's Name
Creditor Information (Payment initiator)	<ul style="list-style-type: none"> Creditor Type Creditor's Name Ultimate Creditor's Name Creditor's Account Type Creditor's Account or Alias Creditor's Account Servicer 	<ul style="list-style-type: none"> Creditor's Reference

PayTo rules

PayTo is governed by an overarching rules framework established by NPP Australia which defines, amongst other things:

- Operational procedures for processing payment initiation requests associated with PayTo agreements, which all participating financial institutions must follow (including payment initiation requests that have been sent indirectly via another NPP access point)
- Customer facilities that participating financial institutions must provide to support payer customers to:
 - authorise PayTo agreements
 - view their PayTo agreements
 - give instructions to make permitted amendments, pause, resume and cancel PayTo agreements
- Recovery processes for payments made in error and mistaken payments
- The liability framework associated with unauthorised payment initiation requests
- Participation rules and criteria for different parties accessing PayTo (including new access options not currently available for NPP credit or “push” payments)



The PayTo service leverages existing features and protections operating within the NPP today, specifically the use of PayID, security and authentication protocols, fraud prevention, liability allocation and risk management processes.

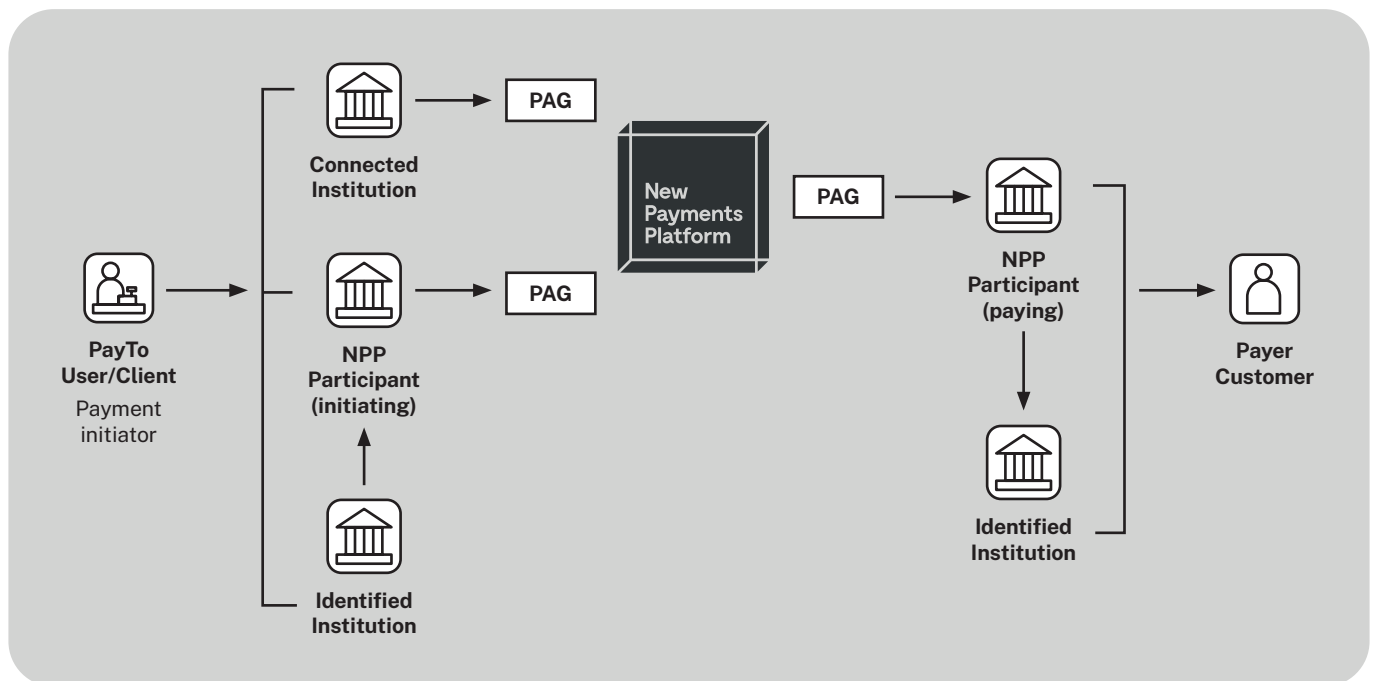
In particular, PayTo further builds upon existing fraud controls and fraud prevention processes, simplifying the management of issues concerning fraud and unauthorised payments.

Access Options

Third parties that want to use PayTo to initiate payments via the NPP have a range of access options, including options for indirect or direct connectivity.

Options at a glance:

1. A **PayTo User** is sponsored by either an NPP Participant or an Identified Institution
2. An **Identified Institution** is sponsored by an NPP Participant and can sponsor PayTo Users (if authorised to do so by their sponsoring NPP Participant)
3. A **Connected Institution** connects directly to the NPP infrastructure by installing an NPP payment access gateway, or PAG, in its own environment. It does not need to be an ADI but must meet certain technical and security requirements
4. A **client of a Connected Institution** can also request payments associated with PayTo agreements to which it is a party



NPP Participants and Connected Institutions can interact directly with the Mandate Management Service via their NPP payment access gateway to create and manage PayTo agreements. All other entities interact with the MMS indirectly via either an NPP Participant or an NPP Connected Institution.

More information regarding NPP access options and requirements is available [here](#).

Only one access point is required

This is a key differentiator to third party payment initiation in other markets such as the UK. It removes the need for fintechs or other third parties wanting to initiate payments to have to integrate with multiple financial institutions to initiate payments from customers' accounts – or the need to use intermediaries.

Third parties that want to initiate payments **only require one access point** to the NPP infrastructure. This one access point enables them to initiate payments, with the customer's authorisation, from any account that is enabled to make NPP payments.

Summary of requirements for each access option

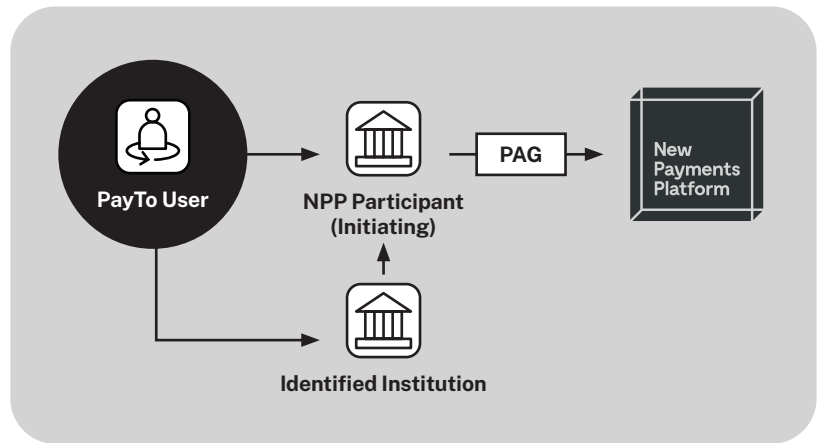
	NPP Participant	PayTo User	Connected Institution	Identified Institution	Client of Connected Institution
Able to offer PayTo services	✓	✓	✓	✓	✓
Must be licensed by APRA as an ADI (or RAD)	✓	✗	✗	✗	✗
Must hold an RBA Exchange Settlement Account	✓	✗	✗	✗	✗
May connect directly via own NPP payment gateway	✓	✗	✓	✗	✗
May connect via third-party NPP payment gateway	✓	✓	✗	✓	✓

Indirect access options do not require accreditation under the NPP access framework.

These four options are further explained on the following pages.

i. PayTo User

PayTo Users are sponsored by either an NPP Participant or an Identified Institution. This could be, but is not limited to, the financial institution that it holds its bank account with. The terms under which a PayTo User is sponsored are subject to proprietary commercial arrangements between the sponsoring financial institution and the PayTo User.



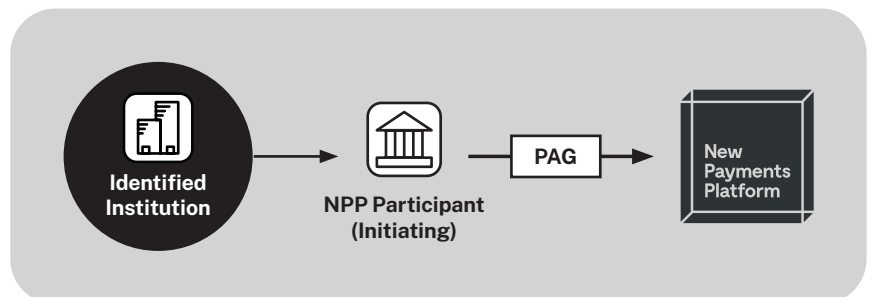
Examples of PayTo Users include:

- A creditor, such as a merchant or biller, offering PayTo as a payment option to its customers
- A payment service provider providing merchants with PayTo as a payment option
- A third party or cloud accounting software provider managing outsourced business services such as payroll or accounts payable leveraging PayTo to be able to initiate payments from its customers' accounts

PayTo Users gain access to PayTo services through a proprietary channel or service (such as APIs) provided by their sponsor.

ii. Identified Institution

Identified Institutions connect indirectly to the NPP via a sponsoring NPP Participant.



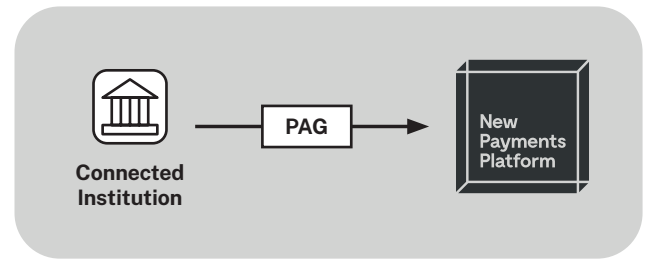
A commercial arrangement is required between the NPP Participant and the Identified Institution.

Being an ADI is not one of the eligibility requirements.

Examples of Identified Institutions may include:

- Credit unions and building societies
- Non-ADI payment service providers and fintechs

iii. Connected Institution



A Connected Institution connects to the NPP infrastructure directly by installing an NPP ‘payment access gateway’, or PAG, in its own environment.

A Connected Institution can send payment initiation requests and is not involved in the clearing and settling of payments.

Any organisation who can meet the NPP technical connectivity and security requirements along with other applicable criteria, is legally authorised to operate in Australia, and is financially solvent could apply to become an NPP Connected Institution¹. Connected Institutions must also comply with the obligations and rules relating to accessing and using the Mandate Management Service (MMS) and the payment initiation service.

A Connected Institution can send payment initiation requests and does not need to be an ADI as it is not involved in the clearing and settlement of NPP payments and does not hold funding accounts.

As payment initiation messages are instructions for a payment to be made, they are inherently less risky than a payment clearing message, which entails the actual transfer of value from payer to payee. Payment initiation messages only result in the transfer of value when they are acted upon by the payer customer’s account servicer (either an NPP Participant or Identified Institution) who as ADIs are regulated entities.

The upfront costs payable to NPP Australia by prospective Connected Institutions relate to the purchase of NPP componentry and the costs of certification:

- i. NPP payment gateway:** the hardware and software that constitute an NPP payment access gateway are supplied to a Connected Institution by NPP Australia, on a cost recovery basis.
- ii. Certification and accreditation costs:** these are the costs incurred by NPP Australia for certifying and accrediting a prospective Connected Institution (including certification fees levied by an external third party assessor).

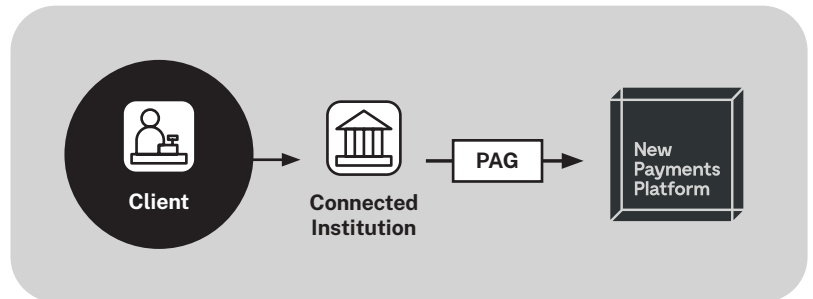
A Connect Institution:

- Connects directly to the NPP
- Does not need to be an ADI
- Is the party authorised to initiate payments from the payer customer’s account
- Can offer PayTo services to third parties
- Sends payment initiation requests directly to the payer customer’s bank
- Charged wholesale transaction costs by NPP Australia

¹ For more information on the criteria to become a Connected Institution, click [here](#)

NPP Australia has aligned the certification and accreditation requirements for Connected Institutions with the Consumer Data Right ACCC accreditation model. If a prospective Connected Institution is a CDR-accredited data recipient, they will still be required to fulfil NPP Australia’s eligibility criteria but are likely to have already satisfied much of this criteria. This means the certification and accreditation fee, one of the main upfront costs, will be lower for CDR-accredited data recipients. For certain regulated entities, such as an ADI or Prescribed Payment Facility provider, additional certification and accreditation is not required.

iv. Client of a Connected Institution



A third party wanting to initiate payments could also be a client of a Connected Institution.

Similar to the way a PayTo User connects via an NPP Participant or Identified Institution, clients of Connected Institutions gain access to PayTo services through a proprietary channel or service (such as APIs) provided by their Connected Institution.

A proprietary commercial arrangement is required between the client and the Connected Institution.



Each access option described above (PayTo User, Identified Institution, Connected Institution and client of a Connected Institution) allows the organisation to perform these functions:

- Creating PayTo agreements for authorisation by payer customers
- Sending authorised payment initiation requests to the payer customer’s financial institution
- Performing certain maintenance functions for PayTo agreements that it is a party to, including amending, pausing, resuming, and cancelling

Which access option is most appropriate for an organisation will largely be determined by business objectives, volumes, and commercial considerations in meeting the requirements for direct access.

PayTo and CDR payment initiation

PayTo has been designed to support customers being able to instruct third parties to initiate payments in real-time from their bank account as envisaged under the Consumer Data Right (CDR). As referenced in the Future Directions of the Consumer Data Right report², the delivery of the PayTo service could be one means by which financial institutions can meet any potential obligations to deliver payment initiation under CDR.

PayTo supports third party payment initiation in a safe and secure manner requiring only one access point, and a range of either indirect or direct access options, including streamlined options for organisations with CDR accreditation.

API capabilities

APIs will play an important role in supporting third parties wanting to use the PayTo service. APIs can help create seamless, digital processes, and a better end-to-end customer experience.

NPP Australia does not host an NPP API service nor offer NPP APIs for third party use on the platform. Participating financial institutions can choose to make their proprietary NPP APIs available for use by third parties. It is anticipated that a number of these will offer APIs to support their PayTo services. For more information on what API services will be made available, organisations should contact their financial institution.

Third parties can access the cloud-based NPP Australia Developer Portal where they can build and test their NPP-based prototypes and solutions, using the NPP API Framework and sample RESTful APIs in JSON format⁴.

This Developer Portal includes sample APIs that support key PayTo functions, enabling third parties to test these APIs in an independent sandbox environment.

² See <https://treasury.gov.au/review/future-directions-consumer-data-right/final-report>

³ See <https://www.nppa.com.au/the-platform/api-framework-and-sandbox>

⁴ The NPP Australia Developer Portal is available [here](#)

PayTo Delivery

The delivery of the PayTo service is a key priority for NPP Australia and the industry. Implementing this critical capability is a multi-year programme of work requiring significant change to participating organisations' existing back-office processes, technical systems and customer facing digital channels.

NPP participating organisations are required to support their payer customers being able to authorise new PayTo agreements and process any payments associated with those agreements. NPP participating organisations will decide what payment initiation services they want to make available to their business customers and the market more broadly according to their individual business priorities and timing.



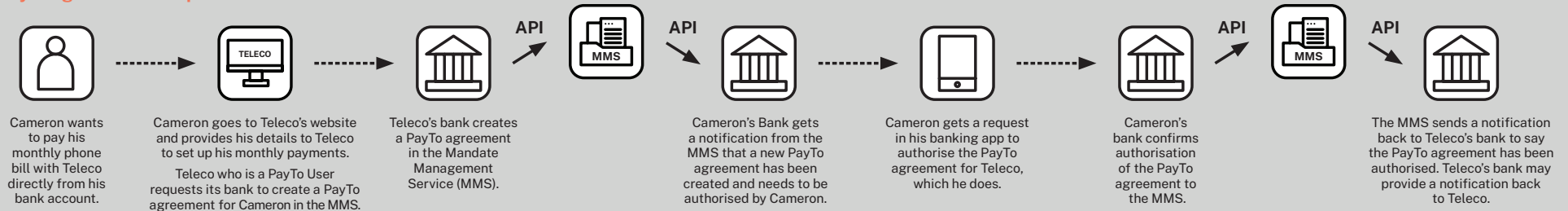
Organisations interested in understanding how to best utilise the PayTo service should consult with their financial institution or payments provider to understand their specific service offerings and timing.

PayTo Use Cases

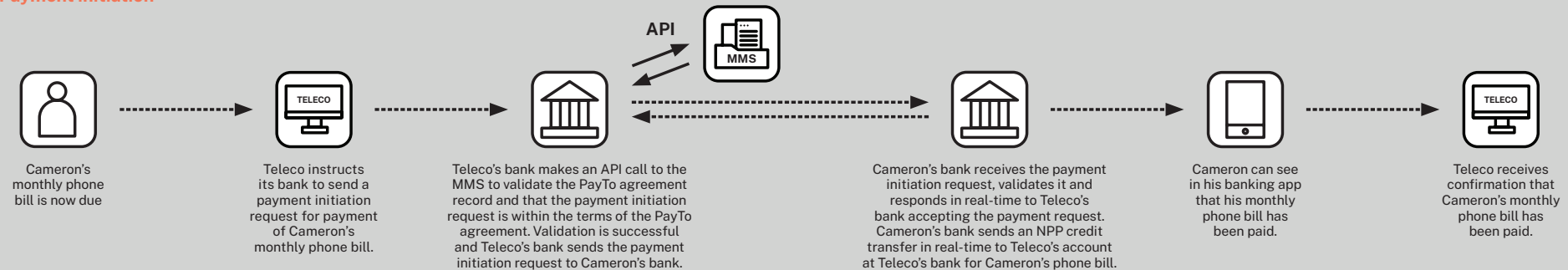
The following use cases illustrate how PayTo can be used by third parties to initiate authorised payments from a payer customer's bank account.

Use case: Teleco, a phone company offers its customers the option to pay their phone bills directly from their bank account using PayTo.

PayTo agreement set up

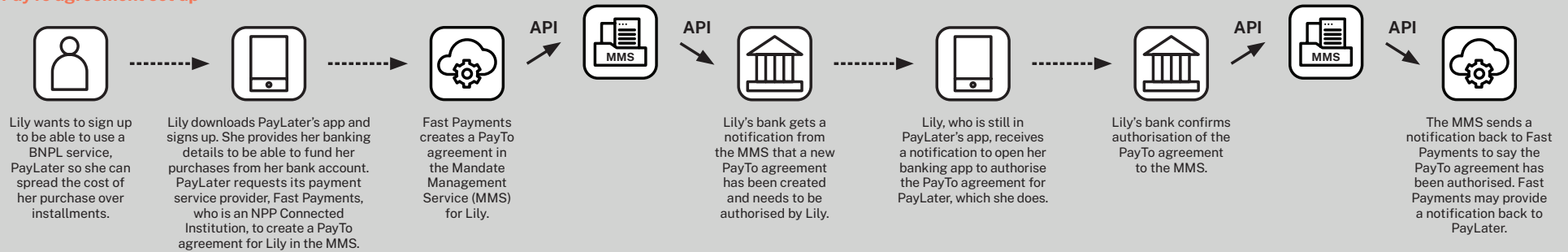


Payment initiation

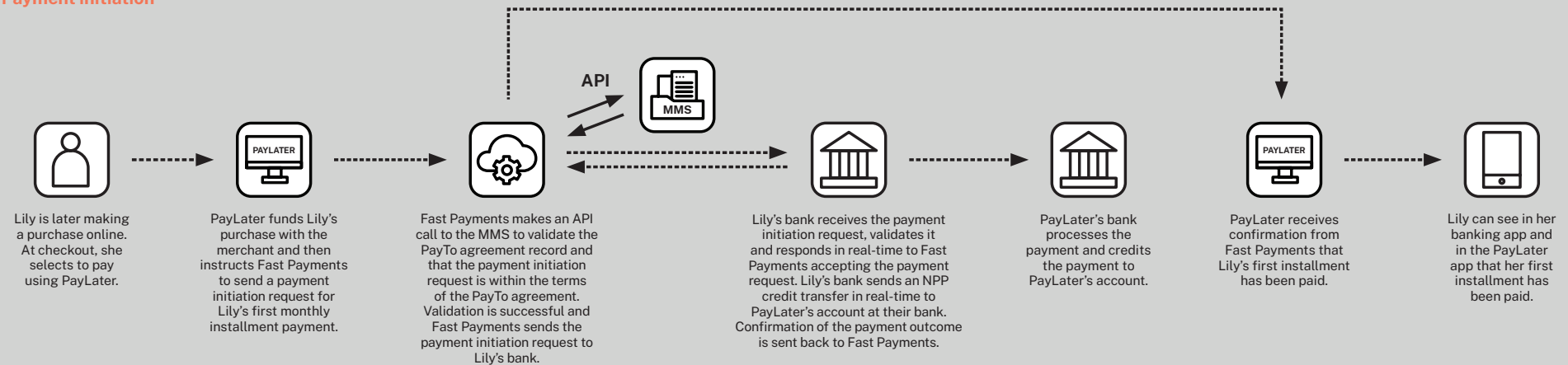


Use case: PayLater is a buy now, pay later solution that enables customers to pay for purchases in monthly installments.

PayTo agreement set up

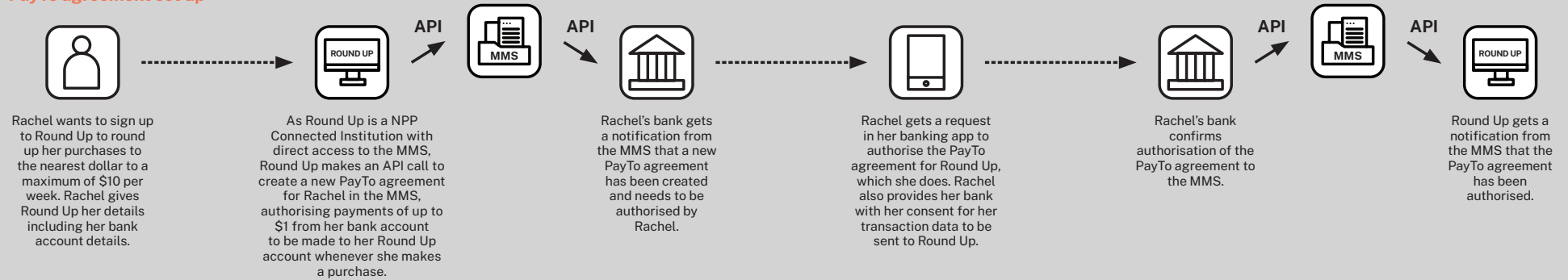


Payment initiation

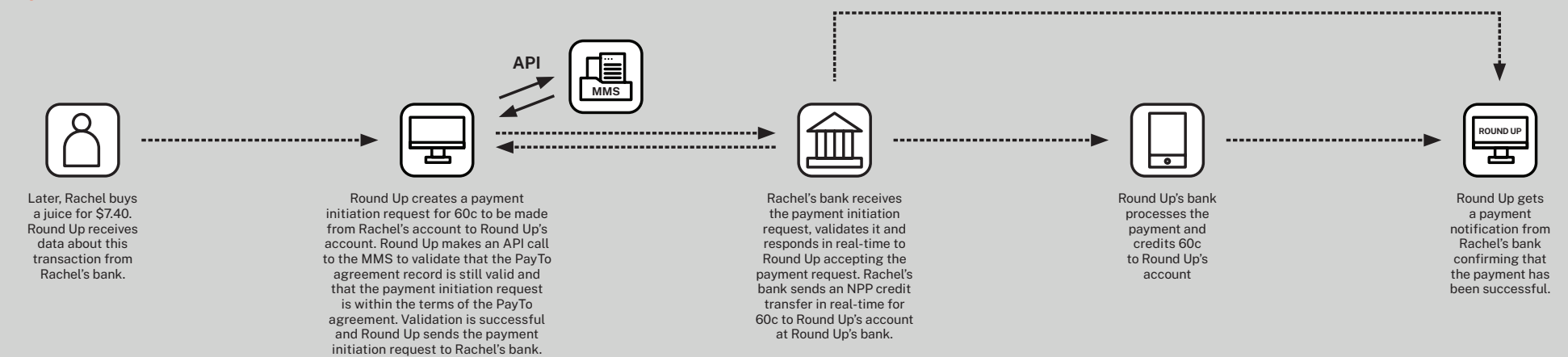


Use case: Round Up operates a savings investment app that rounds up a customer's everyday purchases to the nearest dollar and invests the additional funds in a separate account. As an NPP Connected Institution, Round Up can make payment initiation requests on behalf of customers who have signed up to their service.

PayTo agreement set up

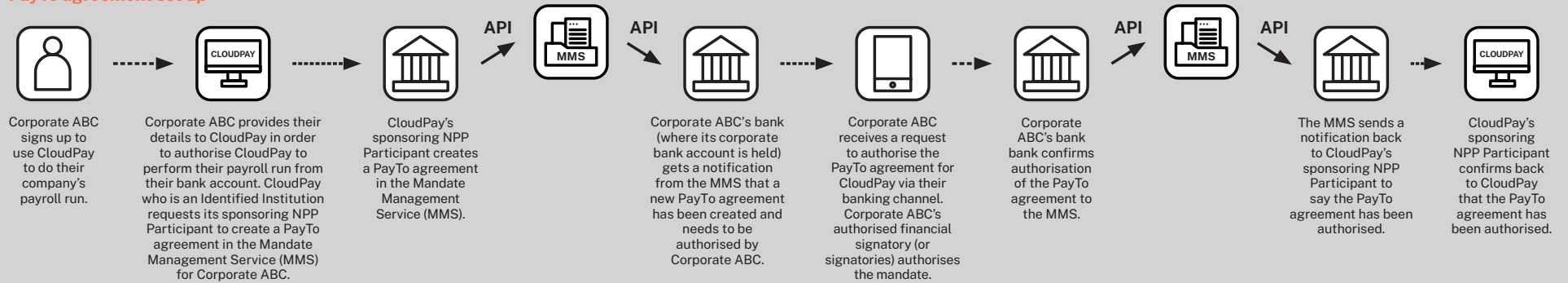


Payment initiation

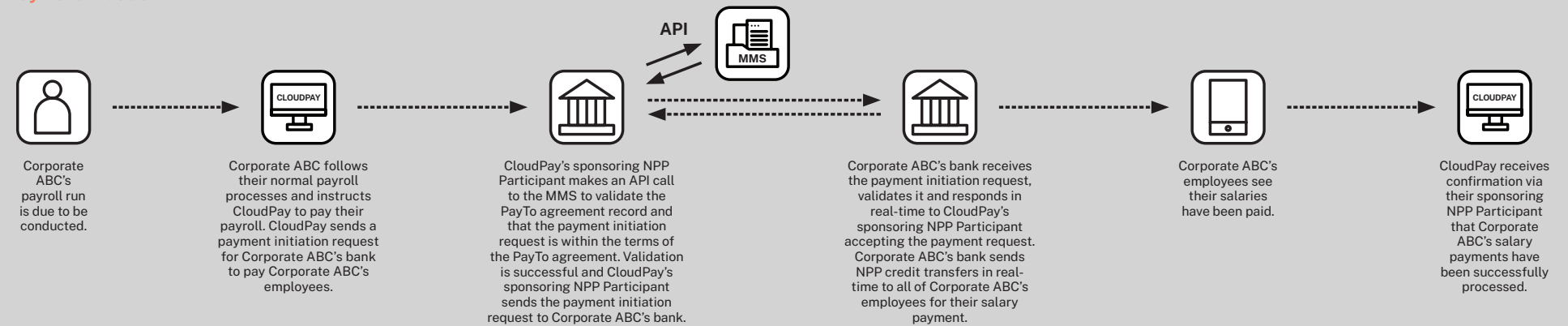


Use case: Corporate ABC wants to use CloudPay, a payroll software provider, to manage their corporate payroll for paying employees. CloudPay is connected indirectly to the NPP as an Identified Institution.

PayTo agreement set up



Payment initiation





To find out more, get in touch with NPP Australia or contact your financial institution.

info@nppa.com.au
payto.com.au

Note: PayTo was previously known as 'Mandated Payments Service' as a working industry title.

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