

NPP Australia is committed to extending and enhancing the capability of the New Payments Platform (NPP) to meet the needs of the wider payments ecosystem. This document provides an update on the NPP roadmap.

NPP Fast Facts

~110+

Participating Financial Institutions (including subsidiaries/sub-brands)

88.6 million

NPP reachable accounts (can make and/or receive NPP payments)

~3.3 million

Average daily NPP transactions

12.7 million

Number of registered PayIDs



New Payments Platform



~\$3.7 billion

Average daily value of NPP payments

\$19.8 billion

Largest single transaction across the NPP

33% share

Of all account to account credit payments

\$4.4 trillion+

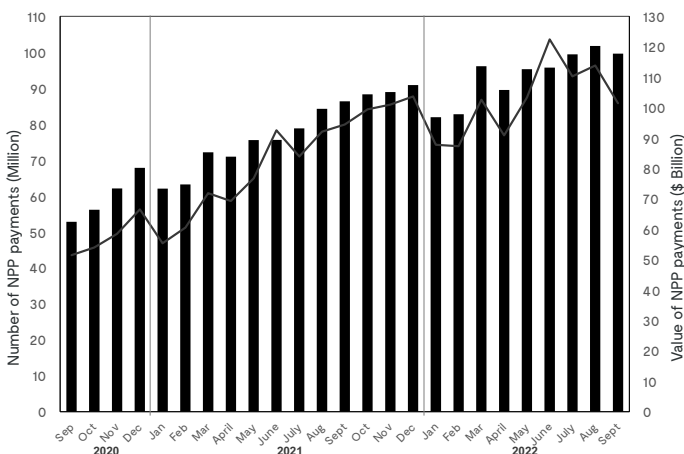
Total cumulative value of NPP payments since launch

As of 31 October 2022



NPP snapshot - October 2022

NPP Payments



Source: RBA C06-1 hist schedule; Sept 2022 estimated based on NPPA data

~100m monthly transactions

Take up of the NPP continues to grow with the platform now processing approximately 100 million NPP payments every month worth in excess of \$110 billion.

Transaction volumes are up 15% and transaction values by 7% compared to September 2021.

One in three of all account-to-account credit payments are now processed via the NPP as usage of the platform grows.



As transaction volumes grow, NPP's implied wholesale transaction cost continues to decline. NPP currently recovers its operating costs from NPP Participants based on equitable calculated contributions. For FY22, the implied NPP break-even wholesale transaction cost was ~\$0.06¹.

1. Based on off-us transaction volumes and NPP Australia's operating costs for FY22; this implied cost masks a number of variations: a) calculated as a straight average over the 12 month period during which transactional volumes were ramping up b) the implied wholesale transaction cost for each NPP Participant may be higher or lower than the industry average, depending on their individual NPP transactions c) the NPP wholesale transaction cost is one of many input costs for financial institutions, including those levied by other third parties such as the RBA for the usage of the Fast Settlement Service and payment service providers.



Expanding reach and participation

Platform reach

88+
million accounts

More than 88 million accounts are now able to make or receive NPP payments. Most domestic retail bank accounts, with a few exceptions, have been enabled for NPP payments and a large proportion of business and corporate accounts.

The platform offers a range of direct and indirect access options, designed to suit both ADIs and non-ADIs. More than 110 banks, credit unions, building societies and a growing number of fintechs are connected to the NPP today, with the vast majority connecting indirectly.

A number of organisations have recently onboarded to the NPP in order to be able to initiate payments using the new PayTo service.

Access to the NPP

110+
participating organisations



Growing use of PayID

There are now 12.7 million registered PayIDs, a 44% increase since the same time last year with 315,000 new PayID registrations on average being added every month. More than 100 banks and other financial organisations now offer customers the ability to link a PayID to their bank account(s).

Approximately 18% of NPP payments are initiated by the payer using the payee's PayID, a 24% increase since October 2021.

~13 million
PayIDs registered

An easy, convenient and secure way to transfer funds².

- **47%** of PayID users say they use it weekly
- **78%** of users had recommended PayID to another person
- **68%** of PayID users would use PayID more often if it was offered as a payment option by more businesses

A growing number of small businesses are choosing PayID to receive payments from their customers in real-time 24/7³.

Organisations are also choosing to use PayID as a receivables solution by linking unique PayIDs for each customer to the organisation's bank account. This supports easy reconciliation as each payment can be reconciled back to individual customers without requiring the customer to input the required information.

For more information on NPP Australia's PayID research, see [here](#).

PayID benefits for businesses



Low cost payment option



Better cash flow – funds received in less than a minute, 24x7



Quick and easy to set up



More reconciliation information with up to 280 characters



Mobile and always accessible



Confirmation of payee

PayID's confirmation step whereby the payer receives confirmation of the name of the person or business they are paying before the payment is processed is one of the key benefits of PayID, protecting customers from scams and reducing mistaken payments.

Research conducted by NPP Australia revealed the power of PayID's confirmation of payee step with one in four users reporting that they had either stopped a payment or made an edit to a payment before confirming as a result of being presented with the name of the person they were paying².

1 in 4

PayID users say they have stopped or edited a payment where they noticed the recipient's details were wrong

2. NPPA research April-May 2022 based on a survey sample of 2,520 respondents
3. To see how more small businesses are using PayID, see 'PayID in Action'



Supporting corporate payments and migration from Direct Entry

Benefits:

- Always available
- Better customer experience
- Information in real-time, including status of payments
- Reduced manual handling and exceptions
- More efficient working capital management

A growing number of businesses, corporates and government agencies are seeking to utilise the benefits of the NPP, beyond just the speed of payment.

~22% payments processed on weekends

In addition to creating better experiences for customers, organisations can benefit from being able to process payments anytime, more efficient working capital management, reduced exceptions processing and access to real-time information on payment status, resulting in improved reconciliation and straight through processing.

Many NPP participating organisations are looking to migrate existing Direct Entry payments, typically submitted in bulk files today, over to the NPP. A recent industry consultation indicated a desire to retire the legacy Direct Entry system within the next 5-6 years⁴. Processing these payments on the NPP will deliver specific benefits including simplification, processing efficiency and fraud and financial crime prevention.

The NPP currently supports all of the use cases that Direct Entry is typically used for and most of the work required to migrate these payments is by individual financial institutions supporting their corporate customers to migrate these volumes over to the NPP.

A number of financial institutions have begun piloting processing corporate bulk payments across the NPP, including via API driven payment solutions.

All NPP participants are required to uplift their processing capacity in preparation for the ongoing migration of Direct Entry payments to the NPP. By December 2023, all NPP Participants are required to have the processing capacity to support approximately 50% of BECS volumes being processed on the NPP, in addition to forecasted volumes for PayTo payment initiation.

NPP Roadmap October 2022

NPP Australia is committed to building broad native capability, beyond simple credit transfers, which will support a range of use cases and meet the needs of a diverse range of payment users. The October 2022 roadmap is focused on the delivery of two key business services, which all NPP participating organisations are required to support:



Enabling third party payment initiation

Supporting international payments

Commenced mid 2022

From December 2023

Customer authorised payments initiated by third parties

Safer, faster inbound international payments with complete payer information

Service now live and being progressively rolled out

NPP technical capability implemented by Dec 2022
Service delivered from December 2023¹

1. Effective compliance date as designated by the AP+ Board

Business Services

These new capabilities are delivered as business services with their own set of rules for processing different types of payments. Third parties, whether they be fintechs, businesses, corporates, service providers or government, can use these business services in a variety of ways incorporating them into their own product and service offerings. This will drive competition and innovation 'at the edges' of the platform.

NPP Australia has worked with the financial services industry to develop PayTo - a new, digital way for businesses to initiate real-time payments from customers' bank accounts.

PayTo delivers a digital customer experience giving customers visibility and control over their payment arrangements, providing more choice for funding transactions directly from a bank account.

Benefits of the service include:



Real-time account validation when PayTo agreement is created



Real-time confirmation when a payment has been made and when agreements are paused or cancelled



Real-time confirmation of funds availability at time of payment



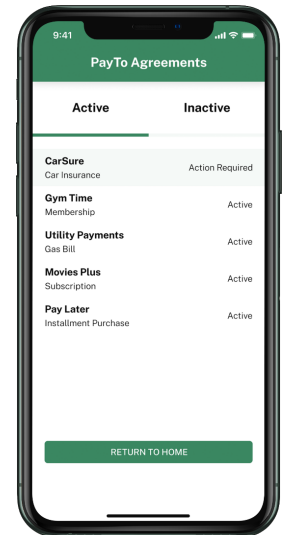
More secure payments as customers authorise PayTo agreements using their bank's secure authentication practices



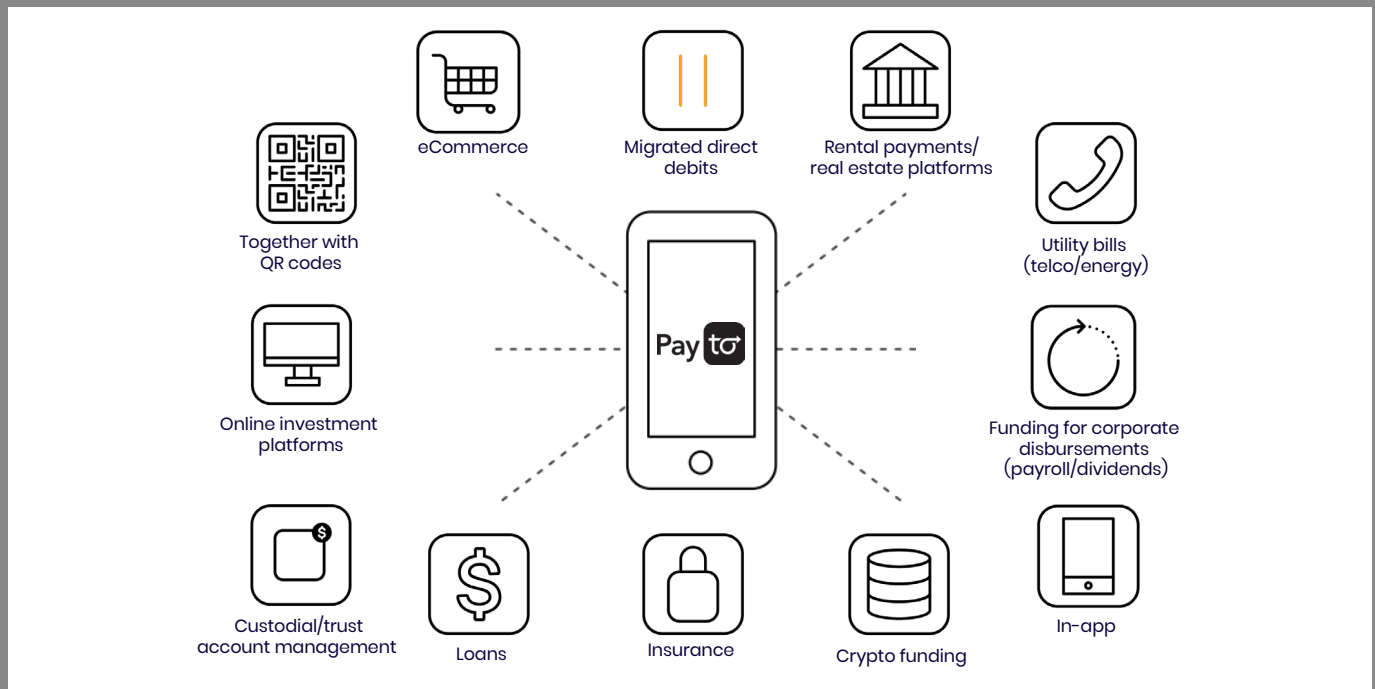
More data and information to support easy reconciliation



Only one access point required to initiate payments from NPP enabled accounts eligible for PayTo payments



The service has been intentionally designed to support a broad range of use cases, providing a springboard for future innovation and transforming how bank accounts are used for payments. Based on feedback from the market and early adopters, we anticipate seeing a range of initial use cases for the service including:



PayTo commenced rolling out from mid 2022. More than thirty organisations are now live with the service including third parties offering PayTo payment initiation services. The industry expects that the majority of NPP reachable accounts will be enabled for PayTo by mid 2023.



A new way to pre-authorise payments from bank accounts

For more information visit www.payto.com.au



Supporting CDR payment initiation



Consumer Data Right

PayTo has been designed to support customers instructing third parties to initiate payments in real-time from their bank account – as envisaged under CDR.

As referenced in the Future Directions of the Consumer Data Right report⁵, the PayTo service could be one means by which financial institutions can meet potential obligations to deliver CDR payment initiation.

PayTo builds upon the existing NPP infrastructure using existing features and protections operating today, specifically PayID, secure authentication practices, fraud prevention, liability allocation and risk management processes. With a comprehensive rules framework, liability model and robust governance already in place, PayTo delivers a scalable solution for third party payment initiation in a safe, efficient, convenient and secure manner.

As work continues to extend the CDR framework to include payment initiation, there are **two key areas** for ensuring interoperability between CDR (as the instruction layer) and PayTo (as the action layer):

1. Authentication processes: User testing conducted by NPP Australia during the PayTo design process revealed that customers felt a greater sense of security and reassurance in having to authenticate themselves within their banking channel and authorising payments in their banking environment, given authorisation involves the actual movement of money from their bank account.

2. Third Party Access: A key feature of PayTo is that third parties require only one access point to the NPP infrastructure to initiate payments from any one of the 88m+ NPP enabled accounts eligible for PayTo payments. This is a key differentiator to third party payment initiation in other markets, such as the UK, removing the need for a payment initiator to integrate with every financial institution where their customers hold their bank accounts – or the need to use intermediaries.

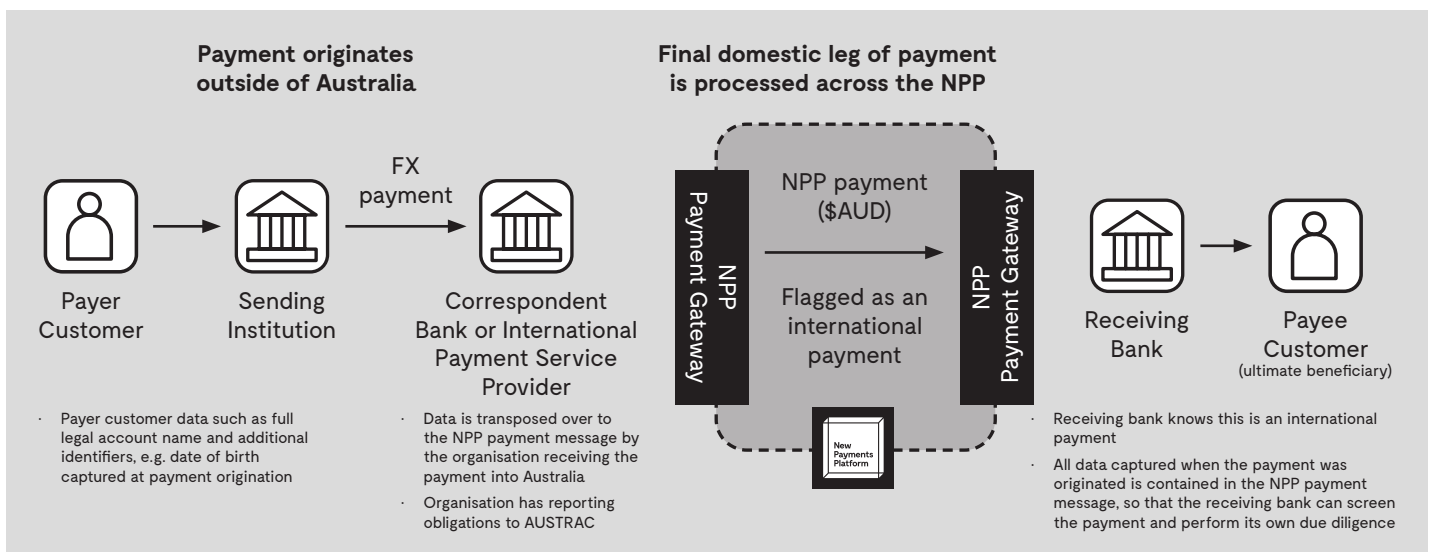
Third parties wanting to initiate payments via PayTo have a range of access options, including connecting directly without the need for an ADI licence as a Connected Institution. An Accredited Action Initiator could be an NPP Participant, NPP Identified Institution, NPP Connected Institution, or have a commercial relationship with any one of the ~110 existing organisations participating in the NPP. This provides third parties with access to support payment initiation as well as the creation of PayTo payment arrangements and the ability to view (and potentially amend) existing payments arrangements that their customers are a party to.



Supporting international payments

NPP Australia has defined a business service for processing the final domestic leg of an inbound international payment on the NPP. The service has been specifically designed to support the AML/CTF compliance requirements of all parties involved in processing these payments. This service can be used by a range of parties including Australian banks and international payment service providers.

The data richness of the NPP payment message enables the inclusion of additional data when processing an international payment, which is not possible today using the Direct Entry system. Data such as the full legal account name of the sender and additional identifiers like date of birth can be carried from the country of origination through to the receiving bank in Australia, enabling that bank to perform the necessary due diligence and screening of the payment to meet their regulatory obligations.



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





Supporting international payments

The ability to flag the NPP payment as a cross-border transaction and include additional data means that the NPP will support faster cross-border payments as well as being more effective in addressing financial crime.

This opportunity comes with additional risk as the payments are processed in real-time. Sufficient time is required by participating organisations to undertake work required around sanctions screening and risk processes in their respective back offices before they are operationally ready to support the service and process real-time international payments.

The International Payments business service message will be part of the platform's annual infrastructure release in December 2022.

All NPP participating organisations are obliged to join the NPP International Payments business service to receive inbound international payments via the NPP. Due to the timing of some financial institution's implementation of PayTo and broader industry work to migrate HVCS cross-border payments to ISO 2022, NPP Australia has taken the decision to extend the delivery timing for the service out to December 2023 for NPP Participants and by the end of April 2024 for NPP Identified Institutions.



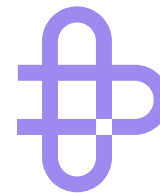
Introducing Australian Payments Plus

Australian Payments Plus (AP+) brings together Australia's three domestic payment providers, BPAY Group, eftpos and NPP Australia, into one integrated entity.

Bringing these organisations together enables AP+ to create a more competitive and coordinated Australian payments organisation that is strategically placed to respond to the impacts of regulatory and technological change today, and into the future.

AP+ in consultation with members and stakeholders is working to develop an integrated product roadmap and plans for the simplification of infrastructure.

For more information visit www.auspayplus.com.au



Australian Payments Plus



More information

The NPP is modern payments infrastructure that enables Australian consumers, businesses and government agencies to make data-rich real-time account to account payments.

For more information, please visit www.nppa.com.au or email info@nppa.com.au

	Speed
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	Always on
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	Data enriched
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Pay	Simpler addressing
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