



9 July 2021

Mr Tony Richards
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Dear Mr Richards

CPA Australia submission in response to the Review of Retail Payments Regulation (“the Review”)

CPA Australia represents the diverse interests of more than 168,000 members working in 100 countries and regions supported by 19 offices around the world. We make this submission on behalf of our members and in the broader public interest.

We support an appropriate mix of regulation, education and incentives to encourage greater business and consumer uptake of existing and emerging payment technologies. We therefore support actions that reduce the costs for merchants and consumers of using such technology, both in person and online. A supportive policy environment is also key to encouraging the development of new payment technologies.

Specific comments on the Review

Least Cost Routing

We note the Reserve Bank of Australia’s (the Bank’s) observation that *‘despite the benefits of LCR [Least Cost Routing], take up by merchants has remained low.’* This indicates that the publicity activities of the major banks to promote merchant uptake of LCR has not been as successful as was hoped. Therefore, other options to increase uptake should be explored.

We recommend the Bank considers:

- requiring the major banks to automatically switch on LCR for eligible small merchants where it determines they would benefit from the functionality, or
- working with the major banks and key small business influencers to explore new approaches to significantly improve the number of merchants requesting LCR. To this end, we suggest the Bank and the major banks work with trusted advisers, such as accountants, to develop new methods and channels for promoting the benefits of LCR to small business.

With more transactions occurring online, it is also important that LCR functionality be offered in the online environment as soon as possible. We therefore support the Bank’s proposed principles for LCR in the online environment. Further, we encourage the Bank to regularly monitor developments in LCR online and to consider intervention should developments not progress at a suitable speed.

We also encourage the Bank to consider what it, or the Government, can do in addition to its preferred ‘suasion and pressure’ to expedite the development of technologies to facilitate LCR for mobile wallets. That is, consider developing incentive options the government could offer to assist such developments.

Buy Now Pay Later

While we understand the Bank's 'wait and see' approach on whether it should take action to remove the 'no-surcharge rules' for Buy Now Pay Later (BNPL), we believe that action should be taken now. We support giving merchants the ability to pass on the fees they face on BNPL transactions as it would:

- promote payments system competition
- keep downward pressure on payment costs
- assist merchants maintain profitability where they bear the merchant fee
- reduce the total price for goods and services where the merchant currently builds that cost into their overall pricing.

Fee disclosure

The way merchant fees are structured is often quite opaque and it can be hard for small businesses to get a handle on what they are paying. Given the complexity of some fee arrangements, we support the suggestion by the Bank that it publish aggregate fees data on a regular basis.

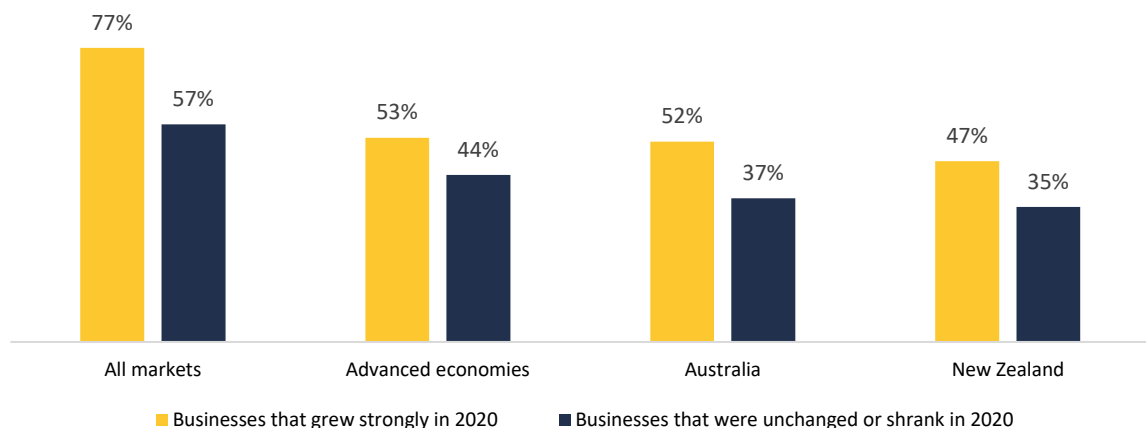
General observations on the impact of new payment technologies on business

In CPA Australia's [submission](#) to the Parliamentary Joint Committee on Corporations and Financial Services inquiry into mobile payments and digital wallet financial services, we stated that our research shows that small businesses offering new digital / mobile / online payment technologies were more likely to be growing.

CPA Australia's [Asia Pacific Small Business Survey 2020-21](#) showed that small businesses that grew strongly in 2020 were significantly more likely than other small businesses to be receiving payment through new payment technologies (see Figure 1 below).

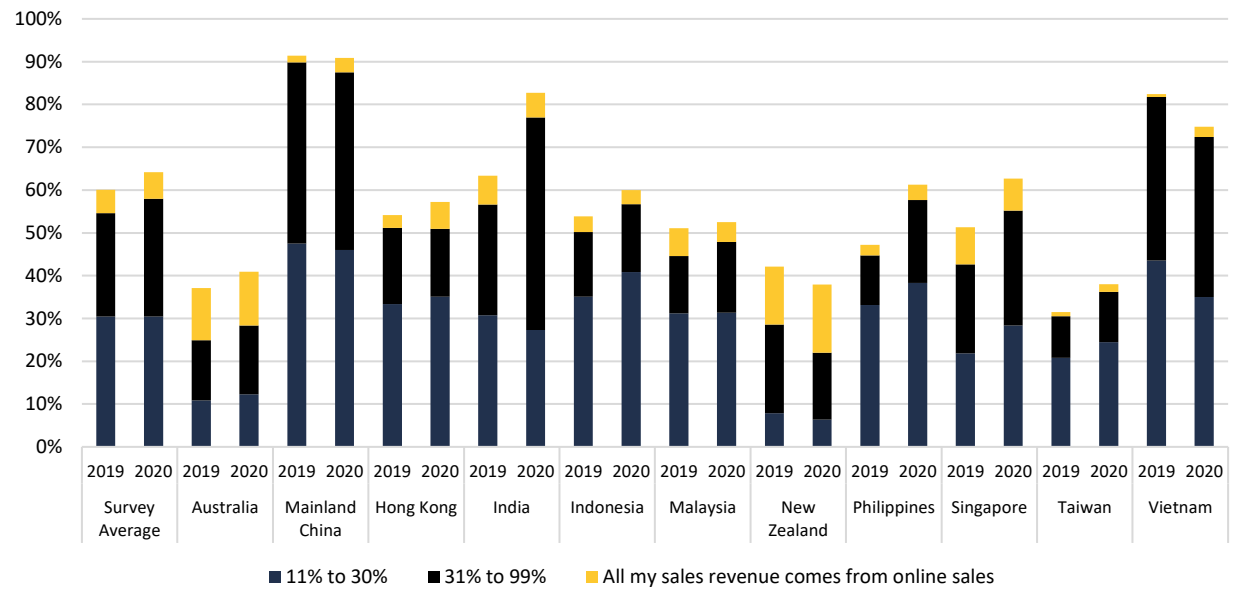
However, the survey results also indicate that Australian small businesses are far less likely to be receiving sales through new payment options than their counterparts in Asia (see Figure 2 below). Other data from our survey indicates that this may be due to Australian small businesses' limited resources and knowledge of digital technologies in comparison to small businesses Asia (this may also help to explain the low uptake of LCR by merchants).

Figure 1. Percentage of businesses receiving more than 10 per cent of their sales through new payment options – by market and business performance in 2020¹



¹ The markets surveyed in CPA Australia's Asia Pacific Small Business Survey 2020-21 are Australia, Mainland China, Hong Kong, India, Indonesia, Malaysia, New Zealand, the Philippines, Singapore, Taiwan and Vietnam. The advanced economies are Australia, Hong Kong, New Zealand, Singapore and Taiwan.

Figure 2. Percentage of businesses receiving more than 10 per cent of their sales through new payment options – by market and comparing 2019 to 2020



The survey results suggest that there is value in small businesses beginning to offer new payment technologies or making it a more prominent part of their business. For many Australian small businesses this may require improving their understanding of such technologies, including how to best apply them. Better understanding can be achieved through advice from external advisers such as IT consultants or specialists.

If you have any questions, please do not hesitate to contact Gavan Ord on 0419 547 782 or gavan.ord@cpaaustralia.com.au.

Kind regards

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