

31 July 2025

Public consultation on the future vision for account-to-account payments in Australia

COBA welcomes the opportunity to respond to the AusPayNet and AP+ consultation on the future vision for account-to-account (A2A) payments in Australia.

COBA is the industry association for Australia's customer owned banks (mutual banks, credit unions and building societies). Collectively, our sector has over \$185 billion in assets and is the fifth largest holder of household deposits. Our members range in size from less than \$200 million in assets to around \$25 billion in assets – all significantly smaller than our ASX-listed peers.

Key points

The vision for the A2A payments system must ensure that smaller institutions such as mutual ADIs and their customers can continue to access competitive, secure, reliable, cost effective and innovative payment solutions.

Any transition to new payment systems must be cost effective, have the support of all key industry participants and offer financial institutions sufficient time to effectively implement.

COBA supports the development of a vision for the future of A2A payments in Australia. We encourage AusPayNet and AP+ to undertake a thorough and broad consultation and development process in order to create a viable, effective and industry-supported long term vision for A2A payments in Australia.

The vision for the A2A payments system must ensure that smaller institutions such as mutual ADIs and their customers can continue to access competitive, secure, reliable, cost effective and innovative payment solutions.

The A2A payments system should offer:

- equitable access to infrastructure for all participants,
- support for competition between, and innovation in, payment systems,
- prioritisation of cost-effectiveness and affordability, particularly for small ADIs,
- strong industry coordination and buy-in for any transition away from BECS,
- a core focus on resilience, safety, and fraud prevention, especially as digital adoption accelerates.

The A2A payments system should be accessible to all ADIs – ADIs should have the option of accessing only base features of the payment system at an affordable price point with additional overlays or functionality (for example, NPP overlays) being optional.

As small financial institutions, mutual ADIs often rely on commercial arrangements with third party providers (such as Cuscal, Indue, ASL) for their payment service needs, such as access to the NPP. The impact of changes to A2A payment processing, including any transition from BECS to the NPP, will also affect mutual ADIs through their third party providers.

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A2A payment system costs must remain competitive

Mutual ADIs operate in a competitive marketplace and are generally unable to directly pass on the costs of offering retail payment services to their customers. The future state of A2A payment systems, including where the NPP becomes the predominant payment processing service, should maintain competitive payment service costs for transaction processing¹ particularly for smaller organisations such as mutual ADIs which have lower payment volumes than their larger, listed peers. This cost competitiveness consideration should also extend to settlement services.

Any cost increases imposed on banks are expected to be absorbed by mutual ADIs which will lower their profitability, resulting in less capital generation and slower growth of the sector.

Transition to new A2A payment systems should be carefully considered

COBA believes that the A2A vision development process should include consideration on re-examining AusPayNet's target date and timeline for BECS decommissioning.

COBA calls on AusPayNet to ensure that the timeline for transition does not expose the industry to unnecessary cost burdens. Transition will pose a significant challenge to the entire industry given how deeply integrated BECS is into business and banking processes.

COBA recognises that costs to shifting all payments to new payment systems such as the NPP are inevitable, however it is imperative that these potential costs are minimised to ensure that small end users of payment services, including mutual ADIs, are not exposed to significant cost burdens which they have little to no control over. This could include, for example, development of a system to enable batch payment processing to be made – an important feature of an A2A payments system.

The final timeline for transition must offer the banking industry the ability to access sufficient technical expertise at reasonable prices, reducing the risk of elevated costs stemming from the development of a solution within a tight timeframe which would inevitably be passed on to mutual ADIs from their payment service providers. The risks and costs posed by a possible slippage of the timeline once it is agreed to should also be considered.

Mutual ADIs already face significant cost pressures from ever increasing regulation combined with the need to invest in digital transformation while retaining a competitive customer offering. Imposing avoidable costs from a transition on mutual ADIs and their third party providers would further reduce the competitive position of small ADIs in the banking marketplace.

For those banks which currently do not offer fast payments through the NPP and instead rely primarily on BECS, a transition to the NPP will represent new costs for the organisation which would be levied in addition to the transition costs identified above.

¹ Especially given that the existing BECS allows for lower cost transaction processing relative to the NPP.

Reliability and accessibility of payments systems is vitally important

Customers place high expectations on financial institutions to ensure that they are able to make and receive payments in a manner and timeframe of their choosing. It is imperative that A2A payment systems offers sufficient reliability and accessibility, particularly where the systems process high transaction volumes and time-sensitive transactions such as salary payments. Future A2A payment systems must operate to the high standards currently expected by end users.

Thank you for taking the time to consider our submission. If you wish to discuss any aspect of this submission, please contact Alexander Woloszyn, Policy Manager (awoloszyn@coba.asn.au).

Yours sincerely

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