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Ms Samantha Gilliland
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By email: A2Avisionconsultation@auspaynet.com.au

Dear Ms Gilliland

Consultation on the draft account-to-account vision

COBA welcomes the opportunity to respond on the draft account-to-account (A2A) vision.

We strongly support the development of an A2A vision that delivers improved outcomes for customers and ensures the ongoing resilience of the payments ecosystem. It is vital that the vision allows for customer owned banks (COBs) to continue to access competitive, secure, reliable, cost-effective and innovative payment solutions.

Key points

The provision of payments services is a non-negotiable aspect of core banking services, which means that the payments system must be set up to meet the needs of all users, including COBs.

It is important to note that COBs operate under structural and economic constraints that are not shared by the largest Australian banks. Most access core payment infrastructure via payment service providers (PSPs), which can constrain the timing of feature adoption, visibility of service performance and control over contingency arrangements.

It is critical that our sector's unique operating model, investment capacity and structural constraints are appropriately understood and reflected in the A2A vision.

We have provided the following detailed feedback in line with the key points above, with the intent to improve the A2A vision.

1. End user objectives

We support the proposed end-user objectives and agree they will help deliver a safe, inclusive and competitive experience for customers. However, barriers that disproportionately disadvantage smaller financial institutions, including COBs, must be explicitly addressed to ensure that all payment providers are able to achieve these end user objectives for their customers.

These objectives should be assessed not only against the outcomes promised to end users, but also against the operational and systemic requirements needed to deliver them consistently across all participants, including smaller ADIs and COBs.

2. System characteristics

The following comments are provided on the proposed system characteristics in the A2A vision.

2.1 Highly available & resilient

For indirect participants, including COBs, service continuity depends on infrastructure controlled by third parties. High system availability, enforceable service level agreements (SLAs) and robust fallback arrangements are essential to protect customer trust.

As BECS is phased out, the industry must ensure viable business continuity arrangements across all access tiers, including those without direct RBA connectivity, to prevent service gaps in contingency scenarios. The vision should note the need for business continuity arrangements to be provided for in the transition between payment systems, rather than just for the end state.

Resilience remains a key priority. It is worth considering that NPP has not consistently demonstrated the reliability historically provided by BECS.

Redundancy of systems is a key consideration that must be adequately addressed when designing and operating payment systems. The way that smaller banks (typically as indirect participants) engage with new payment systems (in this case, the NPP) can create resilience risks. In particular, their reliance on a single sponsoring institution may limit their ability to readily reroute payments through alternative participants if that sponsor becomes unavailable.

2.2 Feature & capability rich

We support the principle of feature-rich capability.

However, Figure 4 should assess whether there is a demonstrated need for each proposed feature and whether equivalent services already exist. Simply embedding additional functionality into the NPP may lead to increased system-wide costs.

Consideration should be given to optional functionality, whereby only entities that choose to offer specific features are required to fund their development and integration.

2.3 Accessible

COBs, which are far smaller in size than other banks in the marketplace, must be able to access payment systems in a practical and sustainable manner. Many do not have the resources or capability to undertake significant technology transformation projects that may be required under new payment system designs.

The current NPP access model presents a high cost of entry for direct participation — becoming a direct connected institution requires significant investment in SWIFT-based infrastructure that is disproportionate to the scale and resources of most COBs. As a result, the majority currently access NPP indirectly through a small number of intermediaries.

While indirect access through these providers has allowed COBs to participate in real-time payments, it also concentrates systemic dependency on a limited number of gateway providers and constrains

the ability of smaller institutions to negotiate commercially or differentiate their service offering. This is not consistent with a vision that aspires to genuine competition and provider diversity.

We recommend the vision explicitly call for a broader range of access models for smaller and community-owned institutions. This should include active consideration of:

- Cloud-native connectivity options that reduce the infrastructure cost of NPP participation without requiring investment in legacy SWIFT technology stacks.
- NPP-as-a-service models that allow smaller institutions to access real-time payment capabilities through managed service arrangements, with appropriate risk and operational controls.
- A structured review of indirect access pricing and terms to ensure that gateway intermediaries cannot extract undue rents from smaller participants who have no viable direct access alternative.

We do not prescribe the precise technical form these alternatives should take — that is appropriately a matter for the roadmap. However, the principle that COBs and smaller institutions should have genuine, affordable choice in how they access payments infrastructure is fundamental to a competitive and accessible system and should be stated clearly in the vision.

2.4 Commercially viable

Access arrangements should be proportionate and transparent for all regulated participants, including COBs, non-ADIs and community-based institutions. The vision must acknowledge the differing needs and operating constraints facing small banks, including COBs, in adopting new payment technologies and systems.

It is imperative that new payment systems be affordable for customer-owned banks, not only with respect to the design, build and implementation of the system but also for ongoing maintenance and access pricing (e.g. per transaction processing fees).

The vision must recognise the substantial capital and operational expenditure required to modernise payments infrastructure, enhance fraud controls and meet compliance obligations, and avoid disproportionately disadvantaging smaller participants.

The vision cannot be developed in isolation from the cumulative investment burden that is already placed on COBs in maintaining and developing their payments systems.

Over the past two years, our members have invested millions of dollars in NPP initiatives alone, including Confirmation of Payee and ISO 20022 upgrades. At the same time, the industry is managing significant change across multiple rails:

- HVCS migration to ISO 20022
- The forthcoming AES program within cards
- Ongoing AusPayNet and AP+ initiatives
- Broader security and resilience uplift
- Core banking modernisation, digital transformation and mergers across the COB sector.

COBs operate with materially smaller investment envelopes and longer mobilisation timelines than major banks. Without deliberate sequencing and prioritisation, accelerated change risks contributing to further consolidation within the sector, undermining competition and diversity in the banking system.

It is important to also recognise that COBs largely do not share the same commercial model as the largest Australian banks or fintechs.

Other institutions may be able to recover investment through corporate and institutional pricing structures. COBs cannot do so due to their narrower business focus (primarily in retail banking). The only viable mechanism for cost recovery would be account-keeping or transaction fees, which would directly undermine member value proposition and place the sector at a competitive disadvantage.

This would also run counter to the Reserve Bank's objective of ensuring accessible and affordable payment services.

Furthermore, other scheme rails, such as Visa, provide financial support mechanisms to assist issuers in maintaining and evolving participation. Comparable support is not currently offered by AP+ or AusPayNet. Expecting a uniform pace of implementation without recognising this structural disparity is neither balanced nor sustainable.

The cost structures underpinning real-time and modern payment services are disproportionately geared toward high-volume throughput. For smaller institutions, this can result in inflated expense lines and limited ability to participate at scale.

The End User section (3.3 Low cost) appropriately focuses on costs to consumers, including access, predictability and transparent fees. However, it does not sufficiently recognise that delivering affordable consumer outcomes depends on institutions having access to affordable rails. This requires:

- Simplicity in system design; and
- Careful consideration of the risks associated with innovation for innovation's sake, particularly where volumes would not justify a business case for smaller institutions.

Failure to take this into account will ultimately result in higher long-term costs for financial institutions to maintain services.

2.5 Appropriately standardised

Interoperability is critical. Transparent switching mechanisms between PSPs are necessary to avoid vendor lock-in and support competitive neutrality.

Consistent messaging standards and technical harmonisation are particularly important for COBs that rely on multiple service providers to manage payment flows across different customer segments. Effective governance frameworks will be required to ensure a secure and consistent user experience.

3. Governance

The vision appropriately emphasises collaborative governance, and we support the inclusion of public sector participation and the emphasis on transparency and accountability.

We provide feedback on governance at two levels: the immediate transparency of the Roundtable process itself, and the appropriate role of the public sector. Both require more substantive treatment than the current vision provides.

3.1 Roundtable process

The current Roundtable process, while operating under ACCC authorisation, is opaque in ways that could undermine confidence in the integrity of its outputs. Beyond the fact of ACCC authorisation, there is little publicly available information about:

- The Terms of Reference or Charter under which the Roundtable operates.
- How decisions are made, what voting or consensus mechanisms apply, and how disagreements are resolved.
- What stakeholder groups have been consulted, in what forums, and how their input has been weighted or incorporated.

This opacity matters because payments system governance in Australia has a history of consequential decisions being made in forums dominated by the major banks and regulators, with the interests of smaller participants, customer-owned institutions and end-users effectively determined for them rather than by them. We recommend that the vision articulate in a clearer manner the mechanisms and processes by which it will consult with various stakeholders and how decisions will be made.

3.2 The role of the public sector

The vision describes public sector involvement in A2A governance in broadly supportive but vague terms. We recommend a clearer and more principled articulation of the public and private sector roles, based on the following division of responsibility:

- The public sector — comprising the RBA, Treasury, and relevant regulators — should set the strategic direction and end-user objectives for the A2A payments system. This includes defining what outcomes the system must deliver in the public interest, establishing the regulatory and policy framework within which the system operates, and exercising oversight and enforcement where the system falls short.
- The private sector — comprising banks, PSPs, infrastructure operators and other industry participants — should be responsible for designing and delivering the operational means of achieving those objectives. This includes developing the roadmap, building the infrastructure, and competing on service quality and innovation within the strategic framework set by the public sector.

This division is important because it preserves accountability at the appropriate level.

4. Delivering the vision

Effective, ongoing stakeholder engagement across the industry is crucial. COBA and its members must be included on an ongoing basis in the development of the vision and roadmap.

It is critical that development of the strategy must precede technical implementation work. Some COBA members have expressed concerns that there has been ongoing engagement on technical work regarding the BECS transition which creates a strong perception that material design decisions are advancing in parallel to, or ahead of the strategy being settled.

4.1 Roadmap

Timing for modernisation must not override the need for a considered, realistic and inclusive process.

While the removal of the 2030 BECS transition date is welcome, the pace of scheme-level design work suggests that significant investment signals may still be set prematurely.

The COB sector needs to have sufficient visibility and representation in strategic and technical forums. Without appropriate sectoral representation, there is a risk that decisions with material financial and operational implications could be shaped primarily by institutions with commercial incentives to accelerate implementation.

If new functionality proceeds without regard to the COB sector's readiness or appetite, the ecosystem risks becoming structurally imbalanced, with cost burdens disproportionately falling on smaller participants.

We remain committed to a modern, resilient and customer-focused A2A ecosystem. However, the process must be structured in a way where strategy is set before detailed scheme design and timelines for implementation must reflect the capacity and abilities for smaller institutions, including COBs to undertake successfully.

4.2 Principles for managing trade-offs

End-user outcomes must also account for the institutions responsible for delivering those services. The sustainability of payment providers is integral to the sustainability of the system itself.

4.3 Stakeholder engagement & education

Ongoing engagement with smaller participants is essential to ensure implementation sequencing, communication and customer education are realistic and proportionate.

5. Other considerations

5.1 Measuring success

Clear and measurable success metrics should accompany each objective. Explicit links between objectives and measurable outcomes will help ensure the vision remains operational rather than aspirational.

5.2 Retain Direct Entry for simpler use cases

We recommend the vision explicitly provide for the retention of Direct Entry (BECS) on its current Monday-to-Friday exchange schedule for payment use cases where the additional data fields and real-time settlement of NPP are not required. Specifically:

- BECS provides a proven, resilient payment method that should not be retired prematurely. It currently serves as a viable business continuity option for NPP, and this role should be formally recognised in the vision.
- Requiring BECS file formats to replicate NPP's richer data structures would make the continued operation of BECS cost-prohibitive and defeat the purpose of retaining it as a simpler, lower-cost option.
- NPP is the fit-for-purpose transaction platform for complex, data-rich payment types. BECS should be preserved for simpler use cases where its existing capabilities remain sufficient.
- Any minimal uplift required to BECS should have achievable, clearly defined timelines — set once and stable, not subject to an ongoing annual uplift cycle. Timelines should account for

the current NPP Release 10 uplift already underway, and other major industry changes scheduled across the coming years.

5.3 AUSTRAC

We note that the contributing parties to the A2A vision do not appear to include AUSTRAC. This is a material gap. AUSTRAC has the authority to impose new obligations — such as Transfer of Value reporting requirements — that directly affect which payment infrastructure can support certain payment types. Recent experience with International Funds Transfer Instructions (IFTIs) being routed down NPP illustrates this dynamic clearly.

We recommend that AUSTRAC be engaged as part of the roadmap development process to ensure that emerging regulatory obligations are factored into infrastructure decisions from the outset. In addition, the vision should acknowledge that regulatory requirements (including AML/CTF obligations) may effectively mandate the use of specific infrastructure for certain payment types, and that this should be reflected in any tiered approach to platform consolidation.

5.4 BECS as a Business Continuity Option for NPP

The vision's emphasis on resilience (section 4.2) implicitly requires the retention of an interoperable backup to NPP. BECS currently fulfils this role. Its retirement should only be considered once a credible, tested alternative contingency arrangement is in place — and this condition should be made explicit in the vision and roadmap.

Thank you for taking the time to consider our submission. If you have any queries, please contact Jess Boddington at jboddington@coba.asn.au.

Yours sincerely



MICHAEL LAWRENCE
Chief Executive Officer

About COBA

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.