

**Inquiry into Mobile Payment and Digital Wallet Financial Services  
Questions on Notice to the Reserve Bank of Australia**

Public hearing – 26 July 2021

**2. What are the developments which, to your mind, would take us to the point where regulatory action was required, putting to one side the issue of who's got the power to actually intervene?**

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**Senator SCARR:** Just teasing this out, in my mind there's a difference between whether there's a case for regulatory intervention or action and which authority has the power to do that. If we can look at the first part of that question, in terms of whether or not there is a case for regulatory action, from your answer, Dr Richards, you seem to be indicating that we are pretty close to that point. What are the developments which, to your mind, would take us to the point where regulatory action was required, putting to one side the issue of who's got the power to actually intervene?

**Dr Richards:** I think I might take that one on notice. We haven't necessarily seen a lot of financial institutions wanting to implement their own mobile wallets on the other ecosystem. For example, I know that two of the four majors, in addition to doing payments through Google Pay, also have their own wallets. It remains to be seen whether banks have got a strong appetite for creating their own wallets, and, if we saw that there was a strong appetite, maybe we'd be seeing more of these wallets in Google Pay, where they are permitted. I don't want to get into the business of hypotheticals about exactly what we'd be seeing, but the market is still developing at this stage. At one level, it's important that it be able to develop with minimal regulation, but, on the other hand, it should also have the appropriate degree of regulation where there are significant access or competition concerns. Chay, did you want to add anything?

**Mr Fisher:** I guess I'd just make the general observation that what we've seen lately is that the pandemic seems to have resulted in a further shift towards electronic payments, and the use of mobile wallets is part of that shift. I think the committee received a number of submissions citing the very strong growth in mobile wallets recently. That is definitely part of the market we're looking at very closely, as best we can. I'd just note as well that, as you're aware, the ACCC have their ongoing investigation into digital platforms and made a few comments about mobile wallets in their submission, as well as in their interim report on the digital platforms inquiry.

**Senator SCARR:** Okay. I think, Dr Richards, you understand the question, and it's begged by the first paragraph on that page of your submission. I note you've taken it on notice and I look forward to looking at your answer in that regard. Over to you, Chair.

**Response:**

In November 2019, the Bank released an Issues Paper for its Review of Retail Payments Regulation, which sought feedback from stakeholders on a range of issues, including third-party access to NFC technology. Following extensive stakeholder outreach, a Consultation Paper was released in May 2021, which noted the Payment System Board's preliminary conclusion that it did not see an immediate case for regulatory action in the area of mobile wallets. However, a case for further scrutiny could emerge as digital wallets become a more prominent part of the retail payments landscape. Accordingly, the Bank would continue to closely monitor developments in Australia and overseas.

In assessing developments in the mobile payments market, the Bank is likely to consider a range of relevant information, including:

- Growth in the use of mobile wallets for consumer payments and the share of transactions initiated via mobile wallets relative to other payment methods. While the Bank would not propose to set particular triggers or thresholds for determining whether there is a public interest case for regulatory intervention, a continuation of the rapid growth in consumers' use of mobile wallets would strengthen the case for further regulatory scrutiny.
- Feedback from ongoing engagement with stakeholders regarding potential competitive implications of access to NFC functionality in mobile devices, and the potential impact on the cost of payment services. This would include an analysis of all the various options for making payments in different wallets and different ecosystems. It would also include consideration of any developments regarding the possibility of initiating payments via technologies other than NFC, for example through QR codes.
- Developments in other jurisdictions. As noted above, there has been regulatory attention in other jurisdictions on access to NFC technology. A relevant consideration could be whether changes to regulation have a material effect on competition in the mobile wallet markets in those jurisdictions in which access regimes are in place.

While the case for regulatory attention on digital wallets appears to be growing, it is unclear that the Bank currently has regulatory powers in this area. Accordingly, it is likely that the ACCC would take the lead, with cooperation from the Bank, should competition issues warrant regulatory scrutiny. For example, the limits to the Bank's powers in this area could affect the Bank's ability to seek relevant data or other information from wallet providers.