

The background features a blurred image of interlocking gears. In the foreground, a pair of hands is shown holding one of the gears. A large, solid blue rectangular area is overlaid on the center of the image, containing the main title text.

The New Payment Platform (NPP)

eftsure



What is NPP?

The New Payments Platform (**NPP**) has been in the making for the past decade. The Reserve Bank set out strategic objectives for the Australian payments system in 2012 that led to an industry committee proposing the development of a “**purpose-built**” payments infrastructure.

In 2013, the Payments System Board welcomed this proposal. The following year – in 2014 – 12 Authorised Deposit Taking Institutions committed to creating the NPP and became its founding members. The Reserve Bank has continued its involvement and built the NPP’s settlement component – the Fast Settlement Service.

The NPP’s company, NPP Australia Limited, was formed in December 2014. NPP Australia and 13 financial institutions have developed the NPP collaboratively, hailing it as “**a world class payments infrastructure for the Australian economy**” which “**enables real-time clearing and settlement for simple or complex payment solutions, between two people or between many**”.

Using an Addressing Service known as **PayID**, it will simplify the payment process and give customers the ability to include more information with payments, such as text or links to externally hosted documents.

These much-needed improvements in Australia’s payment system will deliver exceptional enhancements over time, making the benefits that eftsure currently delivers – and will deliver into the future – through its component services **PAYsure**, **COMPLIsure** and **VENDORsure** even more important.



When does it come into effect?



The industry is undergoing a stringent testing regime before a decision is made to make the New Payments .

Platform, Pay ID, and Osko – its first overlay service – publicly available. The NPP central infrastructure is now live for employees of the participating financial institutions. NPP Australia says services will be available to the public soon after Australia Day, in early February 2018.



How will the NPP affect my business?

NPP real-time clearing is immediately suited to all participants – consumers, business and government.

As businesses currently make payments to other businesses using ABA files, at least for the first couple of years, NPP [PayID](#) functions will likely be almost entirely directed to and will suit consumers paying each other and paying businesses. It may also apply to selective government departments, in specific situations such as paying tax or getting a refund.

Implementation for government-to-government (or business) or business-to-business (or government) will take significantly longer. New business and government processes will evolve and ultimately migrate payments over time to NPP PayIDs but – from a sheer logistics perspective – it will likely be years before all Australian businesses (payers and payees) transition their systems and processes to the NPP to adopt features beyond real-time payments.



Guide

We have prepared a handy guide for business on the transition, addressing a number of the key issues

- 1** The organisation's bank must have implemented the NPP payment infrastructure and changed their online banking platform to support the processing of new format payment files. The new format needs to be agreed and publicised.
- 2** Suppliers of Accounting systems need to enhance their solutions and customers need to be upgraded to the enhanced system to enable them to capture Pay IDs and generate the new format of payment files and to interface with the NPP or an NPP Payment Gateway.
- 3** Each supplier's details will need to be checked/updated/corrected manually by staff to validate and store new payment credentials, such as ABNs.
- 4** All Australian banks need to have implemented the NPP for a business to be able to make payments using ABNs to all of their suppliers.
- 5** Business processes need to be modified to support multiple formats of EFT payment identifiers. Under the NPP, a payments file may be more complicated than today's ABA file and suppliers will be identified in various ways such as with their legacy BSB/Account Number, with their ABN, and with an email address.
- 6** Many businesses use multiple ABNs and bank accounts, often across multiple banks. They use different accounts for different types of payments, such as for a different division. Simply mapping one ABN to a supplier with multiple bank accounts will not be sufficient.
- 7** Not all payments are to entities or individuals with ABNs, so payments to such entities or individuals would need different processes and different payee identifiers.
- 8** The integrity and usage of the Australian Business Register (ABR), which is the central repository of registered business data including Australian Business Numbers (ABNs) and business names, must be more robust to be a reliable source for business identification. This was highlighted by the Federal Government, via The Treasury's Black Economy Taskforce. The taskforce reported in July 2017 that "40 per cent of ABNs quoted in the Northern Territory were using Bunnings' ABN."



Will my services / clients be more secure after the introduction of NPP?

The NPP's strengths lie in its security and user-friendliness. However, the new functionality will give rise to new risks that are likely to give rise to an increase in fraud activity that will need to be addressed.

Under the NPP, customers have the option of creating a **PayID** – such as a phone number, email address or an ABN – that can be securely linked to their bank, credit union or building society account. They can use this instead of a BSB and account number when requesting a funds transfer.

However, there are increased risks for businesses when it comes to confirming their details with the bank. Scammers can use personal details to “port” – transfer – your mobile number from one provider to another and then get access to verification information (e.g. via SMS) in order to obtain your email accounts and bank details.

The NPP's reliance on phone numbers for **PayIDs** will make porting process security an absolute necessity and this will need to extend to both telcos and email providers.

There is also significant risk around how banks will be able to do a mass update and rely on the responses being provided to them to update information for the NPP.

On a basic level, most businesses would have provided an ABN to the bank when opening the original account. The business may have been sold since then but the original owner still has the bank account. The bank records show the ABN belongs to the old owner but it no longer does. If this isn't updated and the original owner tells the bank to link that ABN to their account as a **Pay ID**, anyone trying to pay the new owner by paying to the ABN will end up paying the old owner. The banks will display the name of the account owner when someone makes payments to its **Pay ID** however many people will simply not notice the different name (especially if it is constructed to be similar).

Similarly, with old email accounts and phone numbers banks will need to send out communications to customers asking for updated contact details. Knowing this mass request for information is occurring can inspire fraudsters to send out phishing emails asking customers to login to update these details and lure them to fake sites to capture passwords etc.



How can I make sure our business payments remain secure?

eftsure's solution is even more important now to the increased risks and instant payments process. Additionally, our automated ABN checking and external validation enhances the practicality and security of using ABNs as a payee identifier.

Most businesses will continue to use BSB and account numbers rather than **PayIDs** but these payments will, in time, likely also go through instantly via NPP. With real-time clearing, the risk of losing funds increases dramatically as there is less time for banks to recall, hold or freeze funds following the realisation of a fraud or error.

This is where **eftsure's** independent real-time check of the payment account details at the very last point, just prior to releasing the payment, is critical.

It ensures the payment is destined for the expected recipient by doing a real-time check against the **eftsure** database to make sure the actual bank account matches the Payee Name that the approver is relying on. Even if the payment name appears correct but the bank details are wrong, the authoriser will be alerted to this prior to making the payment. This safety check allows businesses to get the benefits of instant payments without the increased risk that would go with them if they weren't using **eftsure**.



Will eftsure be introducing new products as a consequence of NPP?

In an NPP environment, EFTsure's streamlined supplier onboarding and ongoing management benefits (VENDORsure) assist our customers in maintaining accurate supplier information. Where possible, eftsure will access NPP data, such as PayID, to add further assurance to the supplier/payee identification process. This will give customers the same security and peace of mind that they are paying who they think they are. They can focus on the anomalies rather than having to check each item.

eftsure will also be providing additional rich data at the point of payment about the payee, such as are they still registered for GST, is their ABN current, and are they still trading. This rich "Know Your Payee" information enables the authoriser to make a fully informed decision before making a payment that will result in funds potentially being unrecoverable in seconds.

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Find out how eftsure can help
secure your payment system.

www.eftsure.com.au