



3 December 2013

Head of Secretariat
Financial System Inquiry
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Re: Financial System Inquiry, Draft Terms of Reference

PayPal is providing this submission in response to the above inquiry, and is supportive of the inquiry's objective to look at Australia's evolving needs and support its economic growth.

PayPal notes the inquiry is broad in scope to cover the broad issues facing the financial system.

As you may be aware, PayPal also provides global thought leadership on a range of issues including cross border trade payments regulation future of payments; as well as many other issues, drawing upon our experience in 193 markets and facilitating 26 currencies around the world, processing almost 8 million payments every day.

PayPal has a particular interest in the role and impact of new technologies and changing consumer preferences.

With reference to 1.1 of the Terms of Reference, PayPal believes that the financial services industry can support business to drive growth in the economy both domestically but also exports.

On point 1.3, PayPal believes that the inquiry should also consider new channels (eg. online) to foster competition and offer customers greater choice.

PayPal recommends that 2.2 be expanded to include big data in terms of managing risk. A recent report by PayPal titled "*Payments Regulation for Asia-Pacific: A Model for Innovation & Growth*", has called for big data to be used for better policy making, in particular, help develop better regulations for the payments sector which has exploded in the past decade thanks to the rapid development and uptake of technology. The idea is simple: utilize the same data analytics techniques and performance-based metrics that are driving progress in nearly every industry to improve the regulatory decision-making process.

On point 2.5, PayPal is of the view that regulators play a key part of ensuring access for new entrants, thereby attracting investment from technology innovators and injecting more competition in the industry, for the benefit of Australian consumers and businesses.

PayPal recommends 3.1" *the role of and impact of new technologies, market innovations and changing consumer preferences and demography*" be amended to state *"fostering an environment which provides scope for new technologies, in response to changing consumer preference and demography."*

PayPal recommends 3.4 and 3.5 be amended to recognise the multi-jurisdictional nature of certain financial service providers within the Australian financial system, and consider regulation appropriate to the governance structures and operational arrangements of these entities.

Further, we would recommend that the policy options (point 4) within the inquiry be more specific to fostering competition and innovation. This includes considering other marketplaces internationally that have a competitive and innovative financial services sector and measures Australia can implement to make that a reality.

PayPal recommends that point 5 to be expanded to also examine regulations imposed on new entrants that enter the Australian market and whether this can be improved for a more dynamic Australian financial sector.

Should you require more information please contact me at sgrigorian@ebay.com

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Grigorian', with a long horizontal flourish extending to the right.

Sassoon Grigorian
Head of Corporate Affairs (Acting)