



## Innovation in the Australian Payment System

While customers and merchants have moved into the internet age and expect fast, secure, easy-to-use solution anywhere and anytime, the banking IT systems have not caught up. They often date back to the 1970s. Their life cycle has been stretched again and again with bolt-on solution and added application layers. They have become difficult and expensive to maintain. The complexity and risk of migrating to the new world is significant.

At the same time the volume of electronic payments has exploded. Thus glitches, failures or outages have a massive impact. The challenge is to reduce or eliminate points of failure and to reduce and contain the scale of failures. Current IT failures are magnified by the scope of the affected systems and the sheer volume of overnight batch processing. The complexity becomes impossible to manage effectively.

For many years the catch-cry in Enterprise Computing has been "If it ain't broke, don't fix it". Changes correlate with failures, so let's minimise changes. This has been an excellent way to sweat the assets, but eventually results in the need for major rewrites, many of which fail substantially.

Today we know that production and software processes require regular maintenance and continuous improvement. When short cuts are taken, processing times extend or transactions get rejected, IT systems need maintenance and improvement.

Newer tools and methodologies like the ability to stress test software and to develop against automated test tools have greatly advanced the art of ensuring that IT systems are efficient and reliable. Only if software is continuously refactored, tweaked and improved can one insure that the IT system will be able to handle the new demands of a changing environment.

The industry has to lift its game. It is not about disaster recovery, but disaster avoidance. Modular, redundant and real-time systems, frequently upgraded, will also have problems, but they remain small and manageable.

The settlement processes have to move from once a day overnight to multiple intra-day settlements and ultimately real-time. This would de-risk the payment system and offer a level playing field for new entrants.

Along "what gets measured gets done", transparency around core system availability would drive the migration to fail-safe architectures.

Two third of new ideas are introduced from customers. Significant changes are brought to market by new entrants. It may sound counterintuitive, but it is in the interest of the major retail banks to encourage and foster a thriving entrepreneurial environment in the banking industry.

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Tyro Payments is a start-up banking institution that developed its own technology from the ground up. Tyro is the first and only new entrant competing successfully with the Australian major retail banks in providing EFTPOS, a core banking service. BRW recently recognised Tyro as the 4<sup>th</sup> fastest growing business in Australia.

Tyro launched the first EFTPOS acquiring platform architected for non-stop acquiring running two data centers live, eliminating the costly failure of the acquirer causing severe disruption to the merchants' businesses.

For new entrants to dare to compete and to scale up, it is important that an innovation and competition embracing behavior visibly permeates the major bank organization. This way, Tyros feel encouraged. They drive economic growth and ultimately the nation's welfare.

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