

Banks face a fight on payments switching

By Jason Bryce

"First they ignore you, then they laugh at you, then they fight you, then you win."

- Mahatma Gandhi

Payments start-up MoneySwitch has this quote framed and mounted in the company boardroom in North Sydney, and the sentiment reflects the sometimes missionary like energy of founder Paul Wood and chief executive Jost Stollmann.

Paul Wood could have focused on selling his message processing expertise and technology to the highest bidder – such as an existing direct connector or big bank, but you get the feeling that collecting big dollars for what he has already achieved wouldn't have given him the same satisfaction that he obviously is getting from creating a new, niche banking business.

The MoneySwitch set up so far is twenty-five people working in pairs in a casual open plan environment. After three years of work, they are now transferring files with all members of the BECS clearing system used by banks (which handles payrolls and direct debits). MoneySwitch will soon finalise their membership of the banking club's CECS clearing stream (which handles Eftpos and ATM payments).

Essentially this team (which they plan to double in size this year) are ploughing the ground for those that may follow – providers such as Australia Post and Woolworths. And at every step MoneySwitch are forcing the system to adapt to new entrants.

MoneySwitch's web based Linux system uses ordinary PC's to serve its data with a minimum of human intervention. The company says the cost-per-transaction they can achieve will depend on volumes, but is potentially a fraction of the legacy systems of the existing connectors.

They have built their business with capital raised from within Wood's team of networking engineers that made money selling their technology to Cisco.

Jost Stollmann, who came on board last year, provided a further injection of capital. The business recently received a vote of confidence with former Bankers Trust Australia managing director Rob Ferguson chipping in \$3.6 million, and also joining the board of directors.

By early 2007 they hope to be marketing vanilla Eftpos transaction acquiring services to small and medium sized merchants.

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