

MoneySwitch granted restricted bank licence

MoneySwitch, a Sydney-based start-up with minimal capital but some interesting ideas on how to shake up the acquiring side of the payments market, achieved one milestone this week.

The Australian Prudential Regulation Authority this week granted MoneySwitch an authority to carry on banking business in Australia as a “specialist credit card institution”.

An SCCI authority is a category of banking licence dreamt up by the Reserve Bank of Australia as a mechanism to facilitate entry into the credit card market by non-bank entities. SCCI entities cannot take deposits. GE Capital is the only other entity operating in the cards market under an SCCI licence, though in GE’s case it was more a case of technical compliance with a new set of rules, given the company has issued credit cards in Australia for more than 10 years.

MoneySwitch still has plenty of work to do before it can genuinely get into business. The company’s chief executive Jost Stollmann said yesterday that they expected to take around a year working through testing and certification issues with credit card scheme such as American Express, MasterCard and Visa. Stollmann said MoneySwitch would also seek entry into Eftpos acquiring.

Stollmann said. “We are at an early stage. We have a fabulous open transaction financial architecture – a Google type architecture that’s scaleable, redundant and open. And now we have the SCCI licence.

“Since I joined, we’ve been looking at our market entry, and that’s a work in progress.”

Asked about the company’s funding and capital, Stollmann said, “At this point we are well financed and funded internally, and we’ll review that at the end of the year.”

MoneySwitch will presumably need more capital. Based on its June 2004 accounts, the company had shareholders equity of \$560,000, and recorded revenues last year of a bit more than \$100,000, and almost all of that was a government research and development grant.

However, since then, the company’s hired Stollmann, a recent migrant from Germany who says he sold his last company, a networking start-up, to GE for a billion dollars. MoneySwitch has appointed Bill Bartlett, a former risk partner with Ernst & Young, and a Suncorp Metway director, to its board. Denis Calvert, a former head of sales for Verifone, has also joined the board.

MoneySwitch is otherwise the brainchild of its founders who remain on the board: Paul Wood, now the chief technology officer, and Peter Haig. Both Wood and Haig were co-founders of Metaplex 20 years ago, a networking company sold to Cisco nine years ago, and the source of a lot of the capital and ideas driving their entry into the cards acquiring market.

Stollmann said the core proposition of MoneySwitch would be, “providing IP [internet protocol] based credit and debit cards and direct debit solutions, and we hope that we can provide a complete solution for two major reasons. One is that we have a very efficient, state of the art architecture to lower transaction costs. The second is that we own the switch, so we can accommodate industry tailored solutions.

“It is the second one that is the source of our sustainable, long term advantage. If customers have specific reporting or communication or integration requirements, we can accommodate that. And we will definitely have a lower cost structure.”

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