Memorandum of Understanding for Procedures for Liaison Between
Reserve Bank of Australia
and
Australian Payments Clearing Association Limited

Objective
1. The Reserve Bank of Australia (RBA) and the Australian Payments Clearing Association Limited (APCA) both have an interest in the operation and development of the Australian payments system. Both organisations agree to the procedures set out in this document to facilitate an effective working relationship through which to promote an efficient, stable and competitive payments system in Australia. This memorandum is a statement of intent of the RBA and APCA and is not intended to create any binding legal obligations, or to fetter the discretion of the parties in any way in the discharge of their functions.

2. APCA recognises that the RBA has multiple roles – as a member of APCA, payments system regulator and provider of payment system infrastructure. Accordingly, APCA will ensure that the RBA is informed of all relevant activities undertaken by APCA on the basis that these may have public policy implications. Where appropriate, the RBA will in turn inform APCA of any operational or public policy issues that may impact on APCA’s co-regulatory role.

Responsibilities
3. Under the Reserve Bank Act 1959, the RBA has responsibility for promoting the efficiency, stability and competitiveness of the Australian payments system. Its powers to achieve this mandate are contained in the Payment Systems (Regulation) Act 1998, the Cheques Act 1986 and the Payment Systems and Netting Act 1998. The RBA also operates the real-time gross settlement system, has a role in supplying banknotes to Australian banks, and provides banking services to the Australian Government and some agencies. The RBA’s Banking Department, which provides transactional banking services to the Australian Government, is represented on the APCA Board.

4. APCA is the industry body which promotes the safety, reliability, equity, convenience and efficiency of the Australian payments system. It does this through industry policy development and advocacy; industry self-regulation and standards; and industry change management. Its members include banks, building societies, credit unions and other payment institutions.

Liaison
5. These liaison procedures are intended to promote discussions between the RBA and APCA on policy and operational issues affecting the payments system. They do not cover the role of the RBA appointee on the APCA Board (who represents the interests of the RBA’s Banking Department) nor do they preclude ad hoc engagement as requested by either party.
6. Shortly after each APCA Board meeting, the Chief Executive Officer (CEO) of APCA will discuss with the Head of Payments Policy Department at the RBA:

(a) any matters raised at the APCA Board meeting that could have implications for the RBA’s legislative or operational responsibilities for the Australian payments system; and

(b) any matters of current or likely interest to the RBA that could have implications for APCA’s role in seeking to improve the Australian payments system.

An agenda will be prepared in draft by APCA and agreed with the RBA prior to each liaison meeting. The agenda will be finalised a week before each meeting to enable distribution and feedback within the RBA.

7. The Head of Payments Policy Department will ensure that the Head of Payments Settlements Department is kept informed of any issues that may be relevant to the Payments Settlements Department and is invited to APCA liaison meetings as appropriate.

8. At least once a year, the Heads of Payments Policy and Payments Settlements Departments at the RBA will meet with the Board of APCA to exchange information on the activities undertaken by each body related to their respective responsibilities.

9. The CEO of APCA will inform the Head of Payments Policy Department at the RBA of any issues that might have implications for the RBA’s operations or policy as soon as practicable rather than waiting for the next regularly scheduled meeting. The RBA will do likewise for any issues having implications for APCA’s role.

10. The liaison arrangements set out above do not oblige either party to share information that is:

(a) commercially sensitive or otherwise confidential;

(b) subject to confidentiality obligations with a third party; or

(c) subject to a statutory obligation of secrecy or confidentiality.

11. The RBA and APCA agree that all information disclosed through the liaison arrangements set out in this document is confidential to the parties and accordingly will not be disclosed to a third party, unless it is already in the public domain or agreed otherwise. This does not, however, preclude the RBA from fulfilling its information-sharing obligations with other regulators.

12. The RBA and APCA further acknowledge that it is possible that information may be disclosed to the RBA for policy purposes that would not be appropriate to share with the RBA’s Banking Department. If APCA is of the view that specific information it provides to the Head of the Payments Policy Department should not be shared with the Banking Department because of a conflict of interest, it will make this clear at the time, including why this information cannot be shared. In such circumstances,
the RBA has arrangements to protect such information. More specifically, information flow between the RBA’s Banking and Payments Policy Departments is subject to the RBA’s policy on Managing Potential Conflicts of Interest Arising from the Bank’s Commercial Activities. However, as indicated in paragraph 5 above, nothing in this document affects the role of the RBA appointee on the APCA Board and this document will not affect the availability of information to the RBA appointee on the APCA Board in his or her capacity as a Board member.

13. When RBA’s Payments Policy Department is seeking information on discussions at the APCA Board, it will consult the CEO or Chairman of APCA rather than the RBA appointee to the APCA Board.

Participation on APCA Committees

14. APCA undertakes to inform the Head of Payments Policy of the proposed establishment of any new committee or working group by the APCA Board or any management committee, including details on terms of reference and membership. It will also notify the RBA of any substantial changes to existing committees and working groups.

15. The RBA will remain a framework participant of any APCA system for which it qualifies for membership (on the same basis as other members) and will have a right to appoint a member to the management committee of a particular framework if it meets the criteria for appointment (on the same basis as other members) in accordance with APCA’s Constitution.

16. Where it is a framework participant, the RBA will be provided with management committee memoranda for that framework (on the same basis and to the same extent as other members) even if it is not represented on that management committee in its own right.

17. Given the RBA’s important role in the operation and provision of services to the high-value system, as well as its importance to the cash distribution system, the RBA has an automatic right to appoint a representative to the management committees responsible for the administration of the corresponding APCA systems. The voting entitlements of these representatives will be determined on the same basis as other members of the relevant management committee.

18. Where the RBA is not represented on a particular management committee, a representative of the RBA may attend meetings of that management committee, and any of its subcommittees, on an ad hoc basis, where the RBA and APCA agree.

19. Where the RBA is not a framework participant of a system, it will receive a copy of any material that is distributed to the advisory council for that system at the same time as it is distributed to the advisory council.

20. The RBA will treat material it receives from APCA committees or subcommittees as confidential under the same terms that apply to APCA members.
Review

21. This document will be reviewed every two years by the RBA and APCA to ensure it is meeting its Objective, with any proposed changes to be agreed between the RBA and APCA.

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<th>For and on behalf of the Reserve Bank of Australia:</th>
<th>For and on behalf of the Australian Payments Clearing Association Limited</th>
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<tbody>
<tr>
<td>Name: Tony Richards</td>
<td>Name: Chris Hamilton</td>
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<tr>
<td>Position: Head of Payments Policy</td>
<td>Position: Chief Executive Officer</td>
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<td>Date: 9 October 2014</td>
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