



22nd August 2012.

Mr Tony Richards,
Head of Payments Policy Department,
Reserve Bank of Australia,
65 Martin Place,
Sydney NSW 2000

Dear Mr Richards,

Strategic Review of Innovation in the Payments System: Conclusions - June 2012.

Australian Settlements Limited would firstly like to express broad support for the Australian Payments Clearing Association (APCA) response to the above document.

In addition to our support for the APCA response, we wish to make the following comments.

The APCA Response.

4.1.1 – Liquidity Risk and Management - The APCA response focuses primarily on the last two BECS exchanges for the day and the difficulties which would result from the introduction of five intraday settlements. From studying the recently received preliminary LVSS data for BECS, ASL is of the view that the same difficulties potentially exist for all intraday settlements and not only the last two.

The RBA Conclusions Document.

3.1 (II) Timing of Funds Availability in Bank Systems – From the input we have received from our Members we are of the view that ASL Members have for many years made funds available to their customers immediately such funds are received and not just next business day.

3.1 (III) Timing of settlement - The introduction of Intraday Settlement would overcome the issues identified.

3.3 Transmission of Data with Payments – We do not believe that the Direct Entry (DE) System which is a most cost effective solution for the high volume of generally low value payments is the best vehicle for addressing this issue.

Such changes to the Direct Entry system have been investigated previously and discarded because of the cost of affecting the required changes and the impacts on users of the current system who do not wish/need to carry additional data with the payment.

We are supportive of the suggestion that remittance data be handled separately with a reference to the data in the payment message.

3.4 Addressing of Payments – With the adoption of IBAN Account Numbers across the world, we are supportive of Australia following this approach also.

3.6.2 Standards - Having made comments re DE above, we are supportive of adopting ISO20022 for any developments going forward.

5.0 Payment Systems Governance – ASL is supportive of the establishment of an enhanced industry Coordination body and the close involvement of the Payment Systems Board with that body.

Box E Initial Strategic Objectives – We are supportive of the Strategic Objectives with the exception of objective 3 – low value payments outside normal banking hours,

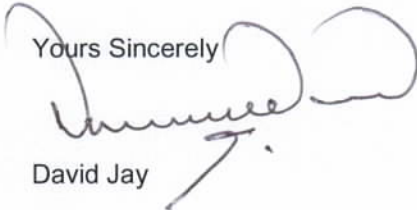
Relative to the objective to have all Direct Entry payments settled on the date payment instructions are exchanged, the difficulties as identified in the APCA response and further covered by us above do need to be addressed.

5.2.2 Structure, governance and powers of the industry body - To be effective, an industry body must have sufficient authority/power to compel participants to adhere to its decisions.

We agree that the co-ordinating body needs to be small enough to be effective, but we would suggest that the body needs to be sufficiently representative so as to ensure adequate representation for smaller financial institutions including Credit Unions and Building Societies.

6. Summary of Conclusions and Next Steps – Our response indicates a high level of support for the conclusions reached, whilst outlining our concerns.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'David Jay', with a large, stylized flourish extending to the right.

David Jay

Chief Executive Officer.