

2018/19 Assessment under the Regulator Performance Framework

December 2019

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Introduction and Summary of Assessment

Introduction

In 2014 the Australian Government introduced the Regulator Performance Framework (the Framework) as part of its commitment to reduce the cost of unnecessary or inefficient regulation imposed on individuals, business and community organisations. The Framework consists of six outcomes-based key performance indicators (KPIs) that articulate the Government's overarching expectations of regulator performance:

1. Regulators do not unnecessarily impede the efficient operation of regulated entities.
2. Communication with regulated entities is clear, targeted and effective.
3. Actions undertaken by regulators are proportionate to the regulatory risk being managed.
4. Compliance and monitoring approaches are streamlined and coordinated.
5. Regulators are open and transparent in their dealings with regulated entities.
6. Regulators actively contribute to the continuous improvement of regulatory frameworks.

The Framework aims to encourage regulators to undertake their functions with the minimum impact necessary to achieve regulatory objectives. It is focused on the administration, monitoring and enforcement of regulation, rather than the setting of policy. The Bank is supportive of the Framework and seeks to continuously improve its regulatory approach.

The Framework requires regulators to measure and report on their performance against the key indicators on an annual basis. The Bank, in consultation with stakeholders, developed two sets of metrics to allow assessment against the indicators – one set for its retail payments responsibilities, the other for its clearing and settlement (CS) facility responsibilities.¹ The metrics include factors that can be objectively assessed by the Bank and the results of surveys of regulated entities (see Appendices 1, 2 and 3 for details).

To support its fourth assessment under the Framework, the Bank surveyed a sample of retail payments participants and the CS facilities it regulates. To encourage frank feedback, the surveys were collected by the Bank's Risk and Compliance Department, which anonymised the responses before forwarding them on to Payments Policy Department. A summary of the quantitative feedback from retail payments stakeholders is provided in Appendix 3. Stakeholders were also given an opportunity to provide feedback on the conclusions and to 'validate' the draft version of this assessment.

Each assessment is set out under the six KPIs of the Framework. For each indicator, a summary of the Bank's performance against the agreed metrics is provided, followed by an overall assessment, including actions the Bank proposes to take to improve its performance.

1 Available at <http://www.rba.gov.au/payments-and-infrastructure/pdf/regulator-performance-framework-metrics--retail-payment-systems.pdf> and <http://www.rba.gov.au/payments-and-infrastructure/pdf/regulator-performance-framework-metrics--cs-facilities.pdf>.

Summary of Assessment

With respect to its regulation of **retail payment systems**, the Bank is assessed to have met the KPIs in 2018/19. On average, the regulated entities responding to the survey indicated that the Bank performed well across most indicators. However, feedback varied across respondents, and some entities provided suggestions on areas where the Bank could further improve.

Almost all respondents rated the Bank's efforts to foster effective relationships with stakeholders as good or very good, with many noting that its staff make themselves available to stakeholders and are open to discussion. The Bank consults widely, and as discussed further below, held around 300 bilateral meetings with stakeholders in 2018/19 in relation to retail payments issues.

Overall, stakeholders reported that the Bank communicates effectively. Stakeholders generally viewed the Bank as being responsive to requests for information or clarification, though some respondents noted that in one particular set of interactions – related to inaugural certifications for the 'net compensation' provision in the Bank's interchange standards – the Bank's guidance was not always clear.

Stakeholders generally considered the Bank to have a good understanding of the environment regulated entities operate in, and a satisfactory level of awareness and understanding of emerging issues that affect the sector. Some entities suggested that there was scope for the Bank to more closely monitor overseas trends to improve its understanding of emerging issues, including in relation to new technology and potential entrants into the Australian market. In recent years the Bank has increased the resources devoted to understanding emerging issues related to new technology, including recently establishing a small in-house Innovation Lab.

The Bank's efforts to minimise regulatory compliance costs were rated as satisfactory on average, although there was a range of views across survey respondents. Some stakeholders rated the Bank's efforts highly while others felt that their compliance costs related to the Bank's regulation were rising. On average, regulated entities considered the Bank's data requests and other *ad hoc* information requests as being reasonable. More generally, respondents indicated that the Bank's approach to compliance and monitoring was appropriate, and they did not see significant scope for a more risk-based approach.

With respect to its regulation of **CS facilities**, the Bank is also assessed as having met the KPIs, with room for improvement in some areas. To ensure the Bank does not unnecessarily impede the efficient operation of CS facilities, the Bank's regulatory framework is closely aligned with international standards. The Bank is committed to making sure the frequency, scope and level of detail of assessments appropriately aligns with each CS facility's systemic importance to the Australian financial system, as evidenced in its revised approach to supervising and assessing CS facilities, published in June.² The Bank will continue to keep the process of assessment and publication of reports under review with a view to minimising the burden on regulated entities, without compromising the benefits of disclosure.

The feedback on cooperation between the domestic regulators was unanimously positive. Respondents indicated that coordination between the Bank and the Australian Securities and Investments Commission (ASIC) is working effectively. However, coordination with, and/or placing greater reliance on, overseas regulators continues to be seen as an area for improvement. The Bank acknowledges that

2 Available at <https://www.rba.gov.au/payments-and-infrastructure/financial-market-infrastructure/clearing-and-settlement-facilities/standards/approach-to-supervising-and-assessing-csf-licensees.html>

the latter arrangements are evolving and will maintain efforts to improve coordination with overseas regulators.

All of the CS facilities agreed that the Bank demonstrates a good understanding of the facilities' operating environment. The Bank's communication with CS facilities is considered to be clear, targeted and effective.

A number of possible actions have been identified by this assessment. These are summarised in Box A.

As noted, stakeholders were also given the opportunity to provide feedback on a draft version of this assessment, though the Bank did not receive any substantive feedback. Overall, based on this, it is the Bank's understanding that respondents were comfortable that the self-assessment adequately reflected their input.

Box A: Actions Identified in this Assessment³

Retail Payment Systems

- continue to engage with a diverse range of entities and devote sufficient resources to understanding emerging issues, including the role of new technology, business models and competitive dynamics
- continue to engage with regulated entities and actively seek practical feedback on ways to minimise compliance costs and avoid unintended consequences of regulation
- continue efforts to communicate clearly with stakeholders, including in relation to regulatory guidance, and continue to be accessible to entities that wish to receive updates during consultation processes
- continue to highlight strategic priorities and other emerging topics of interest to the Bank when engaging with stakeholders.

Clearing and Settlement Facilities

- maintain efforts to minimise the burden on regulated entities without compromising the benefits of disclosure
- continue efforts to improve coordination with overseas regulators and, in line with Bank policies, increase reliance on information provided by home regulators where possible
- continue efforts to improve the effectiveness of meetings by exploring opportunities to streamline agendas, ensuring the scope of questions sent out ahead of meetings remains targeted and providing adequate lead time for responses
- explore options to enhance and streamline data collection processes.

3 See Appendix 4 for a summary of Actions Identified in the 2017/18 Assessment.

Retail Payment Systems

The following sections set out the Reserve Bank's assessment under the Regulator Performance Framework of its activities in relation to the regulation of retail payment systems. The assessment is based on the metrics established in mid 2015, with minor adjustments to questions in response to feedback on the 2015/16 survey (Appendix 1), and draws on input from stakeholders gathered through an anonymous survey. The stakeholder group consisted of the four regulated payment card schemes and a representative sample of twelve issuers and/or acquirers which were subject to Reserve Bank regulation during the assessment period.⁴ Of the surveyed stakeholders, two schemes and six issuers/acquirers provided responses. A summary of the numerical survey responses is provided in Appendix 3.

KPI 1 Regulators do not unnecessarily impede the efficient operation of regulated entities

The metrics for this KPI relate to: evidence of stakeholder consultation and engagement; stakeholders' assessment of the Bank's understanding of the environment, emerging issues, compliance costs and unintended consequences of administering regulation; and stakeholder views on opportunities for reducing compliance costs and unintended consequences of the Bank's administration, monitoring and enforcement of regulation.

The Bank engages extensively with a range of stakeholders in an effort to understand the environment in which regulated entities operate and emerging issues. This includes consultation with relevant parties in relation to possible regulatory initiatives and associated compliance issues. In 2018/19, Payments Policy staff held around 300 bilateral meetings with stakeholders on retail payments issues. This includes only formally scheduled meetings with senior Payments Policy staff; it does not include numerous less formal interactions, nor meetings between the Payments System Board Chair or Deputy Chair with stakeholders.

The number of meetings held increased significantly from around 200 in the previous year, in part reflecting the Bank seeking to further its understanding of emerging issues in relation to technology and its potential application to payments. There were also more meetings held relating to compliance with standards and the Bank also held numerous meetings with stakeholders in relation to some changes to the 'net compensation' provision in the interchange standards that were introduced in June. Each year the Bank also convenes two meetings of the Payments Consultation Group which was established with the aim of providing a more structured mechanism for users of the payments system – including merchants, government agencies and consumer groups – to provide feedback on the payments system, emerging issues and policy.

4 The sample of regulated entities was expanded slightly for this assessment reflecting new certification requirements for issuers which came into effect in 2018/19 related to the 'net compensation' provision in the Bank's interchange standards.

Stakeholders responding to the 2018/19 survey on average considered the Bank to have a good understanding of the operating environment for regulated entities and a satisfactory level of awareness and understanding of emerging issues that affect the sector. However, one respondent was of the view that the Bank showed limited understanding of the entity's unique characteristics during the process in 2019 to vary the net compensation provision in the Bank's interchange standards.

While survey respondents generally considered the Bank to have a sound understanding of the current environment, some suggested that there was scope for the Bank to do more monitoring of overseas trends to improve its understanding of emerging issues, including new technology and potential entrants into the Australian market.

Respondents rated the Bank's awareness of unintended consequences of administering, monitoring and enforcing its regulation as satisfactory, although some respondents indicated that this was an area where they saw room for the Bank to improve. For example, in relation to the inaugural certifications due in July 2018 for the 'net compensation' provision in the interchange standards, some observed that the Bank could do more when considering and implementing policies to identify where regulations may be open to different interpretations, and provide clearer and simpler guidance where necessary to improve certainty and reduce complexity. Other suggestions for improvement included having earlier engagement with stakeholders and longer implementation timelines to allow more time for potential unintended consequences to be identified and considered before regulations are finalised.

The Bank's efforts to minimise compliance costs were rated as satisfactory on average, with a wide range of views across survey respondents. Some stakeholders rated the Bank's efforts highly, for instance pointing to the changes to improve the clarity and operation of the 'net compensation' provision in the interchange standards in 2019 as an example of where the Bank made efforts to reduce compliance costs. On the other hand, other entities noted that their compliance costs related to the Bank's regulation were rising. In this context, stakeholders suggested the Bank could reduce compliance costs associated with regulation through aggregated, rather than *ad hoc*, information requests, and by providing clearer and simpler guidance.

Reserve Bank assessment

The Bank will continue to engage extensively with a diverse range of stakeholders to understand developments and emerging issues in retail payments systems in Australia and abroad. As part of this, the Bank will also continue to devote resources to keeping abreast of payments innovation including in relation to new forms of technology, business models and competitive dynamics. The Bank established a small in-house Innovation Lab in 2018/19 as a way to help it better engage with new and emerging technology, including in relation to payments issues.

With regard to some of the feedback about the need for clearer, simpler guidance, the Bank's variation of the 'net compensation' provision of the interchange standards, effective 1 July 2019, was motivated by the desire to improve the clarity and operation of this aspect of the standards in a way that also minimises compliance burden for regulated entities. The Bank will continue to consult extensively on any regulatory proposals, and as part of these processes staff will seek to put greater focus on obtaining feedback from regulated entities on potential compliance costs and other implementation considerations, including the need for any regulatory guidance.

KPI 2 Communication with regulated entities is clear, targeted and effective

The metrics for this KPI relate to: publication of regulations and explanatory material; evidence of stakeholder consultation; and stakeholders' assessment of the Bank's engagement when developing or reviewing regulation, the adequacy of the guidance and information provided to regulated entities, and the Bank's responses to requests for information and clarification.

All Reserve Bank regulatory instruments are publicly available on the Bank's website. When the Bank implements or changes regulation, a range of explanatory material is published, typically including a media release, a detailed 'conclusions' document, an explanatory statement accompanying the instrument and, if required, a Regulation Impact Statement. In addition, the Bank publishes 'Frequently Asked Questions' in plain English on certain occasions, especially where there are different types of stakeholders potentially affected by the regulation.

The average rating for this KPI was 'good', with responses from individual entities ranging from 'satisfactory' to 'very good'. Most respondents noted that the Bank engages well with stakeholders, with its staff making themselves available and being open to discussion. One respondent suggested that the Bank could provide stakeholders with more information during consultation discussions on the range of views it was receiving and considering, so that stakeholders could have an earlier opportunity to provide further information to support their arguments.

Stakeholders generally rated the adequacy of information provided to regulated entities as good, with published documents viewed as being thorough and clearly written. Overall, stakeholders indicated that the Bank was responsive to requests for information or clarification and provided responses in a timely manner, though as noted above, some respondents felt that in one particular set of interactions, the Bank's guidance was not sufficiently clear. More generally, a couple of entities noted that due to the Bank's regulations covering increasingly complex business arrangements, more detailed guidance and/or briefing sessions prior to regulations being finalised could be useful to assist entities to more efficiently understand and comply with regulations.

Reserve Bank assessment

Overall, stakeholders' feedback on the effectiveness of the Bank's engagement and communication with stakeholders was positive. The Bank notes the feedback about the importance of consistently providing clear guidance and the potential in some situations to provide stakeholders with more timely opportunities to respond to different points of view raised during consultation rounds. The Bank will continue to publish a wide range of material on its website in an accessible form.

KPI 3 Actions undertaken by regulators are proportionate to the regulatory risk being managed

The metrics for this KPI relate to: the ability of regulated entities to self-certify compliance with regulation where appropriate; the number and type of enforcement actions undertaken; and estimates of the total number of hours staff at regulated entities spent demonstrating compliance with regulation. Respondents were also asked for views on the scope for a more risk-based approach to monitoring and compliance activities.

Estimates of staff time spent demonstrating compliance with regulations during 2018/19 varied significantly across respondents and are somewhat difficult to reconcile across the sample. Roughly half of respondents estimated an average of around 30 hours total effort over the year, while other respondents reported estimates that were significantly higher and the equivalent of up to two month's work for one staff member. During the year, one new focus of compliance activities was the inaugural certification by schemes and issuers in relation to the 'net compensation' provision in the interchange standards. This compliance process highlighted a number of issues with the interpretation of the relevant provision, which may have contributed to the large differences in compliance effort reported by the regulated entities. There were no enforcement actions undertaken during 2018/19.

Reserve Bank assessment

While one respondent was of the view that the urgency of some compliance-related enquiries by the Bank were not always well aligned to the seriousness of the risks or regulatory issue, more generally respondents indicated that the Bank's approach to monitoring and compliance was appropriate, and there is not significant scope for a more risk-based approach, reflecting the framework whereby regulated entities provide self-certifications.

Estimates of person hours spent demonstrating compliance with the Bank's retail payments regulations are difficult to reconcile across the sample. For more than half of respondents, staff time expended was relatively modest. For the remainder, based on some of the other qualitative responses, it is possible that the higher estimates may partly reflect time spent maintaining the broader relationship with the Bank in relation to retail payments, rather than more narrowly related to the effort spent demonstrating compliance with regulatory requirements. However, as noted above, there were also a number of issues that arose during schemes' and issuers' inaugural certifications against the 'net compensation' provision in the interchange standards, which may have contributed to the higher estimates of compliance effort reported by some entities.

KPI 4 Compliance and monitoring approaches are streamlined and coordinated

The metrics for this KPI relate to: the existence of documented arrangements for policy coordination and information sharing with the ACCC; stakeholders' assessment of the reasonableness of data and other *ad hoc* information requests by the Reserve Bank in terms of scope, frequency and timing; stakeholders' views on the scope for data requested to be better aligned with that used internally by regulated entities; and the scope for data requirements and regulatory processes to be better aligned with other regulators.

The Reserve Bank has had a Memorandum of Understanding (MOU) in place with the ACCC, covering policy coordination and information sharing, since 1998. This MOU was updated in 2018/19 and the revised version is posted on the Bank's website.

On average, regulated entities rated the reasonableness of data requests by the Bank and other *ad hoc* information requests as 'good'. A number of respondents noted that the Bank's information-gathering processes for monitoring compliance are reasonable, for instance with the requests being targeted and providing appropriate response timeframes. One respondent suggested that the Bank could more consistently provide further information on the purpose of some information requests.

Generally, entities did not see scope to better align data used by the Bank to monitor compliance with its regulations more closely to those used by entities for their own activities, or requested by other regulators. However, several saw scope for improvement related to broader data reporting to the Bank and to other organisations in the payments industry (where the reporting is not related to a particular regulatory instrument, such as a standard). In particular, it was noted that similar data are collected by Payments Policy Department, the card schemes and the Australian Payments Network, and aligning definitions across the industry, and simplifying reporting processes would be beneficial. Another respondent noted that improvements could be made to ensure data on retail payments operational incidents collected by the Bank's Payments Settlements Department are consistently reported.

Reserve Bank assessment

Stakeholders' responses generally indicated that the Bank's compliance and monitoring processes are reasonable. When requesting data or other information and setting timeframes for entities to respond, the Bank will continue to be mindful of balancing the purpose of the request and the related risks against likely resources and time required by regulated entities to provide the information.

The Bank's variation of the 'net compensation' provision of the interchange standards was motivated by the desire to improve the clarity and operation of this aspect of the standards in a way that also minimises compliance burden for regulated entities. In particular, under the varied standards, entities certifying compliance with the net compensation provision have more scope to draw on information from financial accounts prepared in line with generally accepted Australian accounting principles. This should reduce compliance burden.

KPI 5 Regulators are open and transparent in their dealings with regulated entities

The metrics for this KPI relate to: the publication of regulatory objectives; the publication of regulatory developments and a summary of stakeholder feedback in the Payments System Board Annual Report; accessibility of policies and reports; stakeholders' assessment of the adequacy of the information that the Bank makes available publicly on its approach to regulation and the regulatory framework; and stakeholders' assessment of the Bank's responsiveness to enquiries regarding the operation of the regulatory framework.

The Bank's objectives and approach to regulation are published on its website.⁵ Regulatory and other policy developments during each financial year are described in the Payments System Board's Annual Report. The Bank recognises the diversity of our audience and is committed to meeting the Australian Government standards established for web accessibility.

Stakeholders' rated the adequacy of the information that the Bank makes available publicly on its approach to regulation and the regulatory framework as 'good' on average, with individual responses ranging from 'satisfactory' to 'very good'. Respondents generally noted the Bank provides published information that is accessible, clear, and useful. One respondent saw potential for further improvement by publishing clearer information on the Bank's upcoming regulatory focus areas to enable regulated entities to more effectively plan. Another piece of feedback was that it is important that the Bank clearly articulates how its expectations for industry participants contribute to promoting competition in, and

5 Available at <https://www.rba.gov.au/payments-and-infrastructure/payments-system-regulation/approach-to-regulation.html>

the efficiency and stability of, the Australian payments system – to ensure that its activities are consistent with its mandate.

Respondents also had positive views with respect to the Bank’s responsiveness to requests and queries regarding the operation of the regulatory framework, with a number of stakeholders’ noting the Bank provides timely responses.

Reserve Bank assessment

The Bank publishes a significant amount of information on its regulatory activities on its website. Stakeholders had positive views about the adequacy of the information the Bank publishes and on the staff’s responsiveness to enquiries. The 2017 and 2019 Payments System Board Annual Reports include a forward-looking chapter on the Bank’s strategic priorities and medium-term payments work agenda, which is intended to provide stakeholders with an indication of the Bank’s upcoming regulatory focus areas. In addition, following each Payments System Board meeting, the Bank publishes a media release providing an overview of the matters discussed by the Board. The Bank also highlights relevant strategic priorities and other emerging topics of interest when staff periodically meet with regulated entities and when they provide public speeches and participate in industry events.

KPI 6 Regulators actively contribute to the continuous improvement of regulatory frameworks

The metrics for this KPI relate to: Reserve Bank engagement in domestic and international policy research on retail payments; the frequency of engagement with regulated entities and other stakeholders; and reporting of stakeholder feedback to the Payments System Board. Stakeholders were asked to rate the Bank’s efforts to establish and maintain cooperative and collaborative relationships with stakeholders.

The Bank’s Payments Policy Department conducts research and analysis of developments, including regulatory developments, that are relevant to the Australian and overseas payments systems. It engages with overseas regulators and other parties to better understand emerging trends and alternative approaches to regulation. During 2018/19, the Bank participated in a number of international groups that deal with payments issues, including the Committee on Payments and Market Infrastructures (CPMI) and its Working Group on Digital Innovations, the EMEAP Working Group on Payment and Market Infrastructures, and the Financial Stability Board’s Financial Innovation Network, which considers the financial stability implications of financial sector innovations, such as those related to crypto-assets and the involvement of large technology companies (‘bigtech’) in financial services.

Domestically, the Bank is an observer on ASIC’s Digital Finance Advisory Panel. The Bank also chairs a number of working groups of the Council of Financial Regulators (CFR) that deal with payments regulation issues, including the CFR Regulatory Perimeter Working Group, which has been reviewing the regulatory framework for stored-value facilities, and the CFR Working Group on Distributed Ledger Technology (DLT).

The Bank has continued to engage extensively with regulated entities and other stakeholders. As noted, the Bank held around 300 formally scheduled stakeholder meetings related to retail payments during 2018/19. Around 60 per cent of these were initiated by stakeholders; the remainder were initiated by the Bank or were standing engagements. The majority of these meetings related to issues of potential regulatory relevance or discussions of industry developments, and a number focused on clarification of

regulation or the Bank's regulatory approach. The Bank has continued to hold two meetings a year of the Payments Consultation Group. Bank staff meet regularly with senior staff of the Australian Payments Network (AusPayNet) to discuss industry developments, including AusPayNet's work program to support the Australian Payments Council (APC).

In 2018/19, stakeholder engagement included a number of public consultations. In November 2018 the Bank commenced a consultation on the functionality and access to the New Payments Platform, and published its conclusions in June. This consultation was undertaken with input and assistance from the ACCC. In February 2019 the Bank commenced a consultation on the operation of the Bank's interchange standards, after informally seeking views from stakeholders over the second half of 2018. This consultation was concluded in May. In April 2019 the Bank commenced a public consultation on ISO 20022 Migration for the Australian Payment System. This consultation is being undertaken jointly with the APC.

Issues raised in the Bank's engagement with stakeholders are regularly reported to the Payments System Board, often in the context of discussing significant industry developments and policy issues. Feedback from the staff's meetings with the Payments Consultation Group is also reported to the Board, as is stakeholder feedback gathered through the Regulator Performance Framework process.

Almost all respondents rated the Bank's efforts to foster effective relationships with stakeholders as 'good' or 'very good'. A couple of regulated entities noted that in their interactions with the Bank in 2018/19 there had been evidence of improved engagement and collaboration. As an area for potential improvement, one entity noted that, as part of enhancing stakeholder relationships, there would be value in the Bank encouraging more active debate and diversity of thinking to ensure that a wide range of perspectives are considered.

Reserve Bank assessment

The Bank engages actively with the domestic and international regulatory community to gain a better understanding of trends and regulatory best practice, as well as to contribute to the development of the regulatory community's thinking on regulation.

The Payments System Board has direct engagement with the industry through its annual meetings with the Australian Payments Council. The Chair and Deputy Chair of the Board also at times meet with various stakeholders, typically senior executives of international card schemes and other stakeholders. Otherwise, it remains appropriate for the Board to receive its briefings from Bank staff who have consulted widely with stakeholders and can present the full range of views of those stakeholders.

The Bank places importance on maintaining cooperative and collaborative relationships with all stakeholders, particularly regulated entities. Almost all respondents rated the Bank positively in this regard, with a couple of entities noting an improvement in engagement in 2018/19.

Clearing and Settlement Facilities

The following section sets out the Reserve Bank's assessment under the Framework of its activities in relation to the regulation of CS facilities. The assessment is based on the agreed metrics established in mid 2015 following consultation with CS facilities licenced in Australia, with one additional question added to the survey in response to feedback in the 2015/16 survey. The survey questions are provided in Appendix 2.

For the purposes of the 2018/19 self-assessment, the stakeholder group was comprised of ASX (on behalf of its four CS facilities), Chicago Mercantile Exchange (CME) and LCH Ltd. CS facilities also provide feedback over the course of the year through their ongoing dialogue with the Bank. The information provided through the RPF surveys was consistent with the feedback the Bank has received directly from CS facilities.

KPI 1 Regulators do not unnecessarily impede the efficient operation of regulated entities

The metrics for this KPI relate to: alignment with international best practice; evidence of stakeholder consultation; stakeholders' assessment of the Bank's understanding of their operating environment; and the quality of the Bank's engagement with regulated entities.

To ensure the Bank does not unnecessarily impede the efficient operation of the CS facilities, the Bank's regulatory framework is closely aligned with international standards.⁶ The Bank actively contributes to the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions (CPMI-IOSCO) committees and working groups, as well as the implementation monitoring exercises conducted by CPMI-IOSCO. These activities provide an opportunity for the Bank to learn from other regulatory peers and contribute to assessments of other jurisdictions. The Bank also liaises on a regular basis with the home regulators of overseas CS facilities that are licenced in Australia.

The respondents to the CS facility survey indicated that the Bank demonstrates a good understanding of the facilities' operating environment and substantive understanding of certain types of financial market infrastructure. However, one entity noted that, from time to time, turnover of Bank staff can impact the time and resources required of CS facilities when they are updating the Bank on new projects and other developments.

One respondent noted that the compliance burden should reflect the level of participation in the Australian market, expressing support for the Bank's revised approach to supervising and assessing CS facilities, published in June. The revised approach seeks to more explicitly align the frequency, scope and level of detail of a compliance assessment of a CS facility with the CS facility's systemic importance

⁶ In July 2018 the Bank and ASIC published a joint self-assessment of how well the agencies meet their responsibilities under a framework established by CPMI-IOSCO, which concluded the agencies jointly observe all relevant responsibilities. See <https://www.rba.gov.au/payments-and-infrastructure/financial-market-infrastructure/principles/assessment-against-responsibilities/responsibilities-of-authorities/2018/pdf/2018-07-self-assessment-au-authorities-cs-facilities.pdf>

to the Australian financial system. One practical outcome of this approach will be a reduction in the frequency of assessments for certain regulated entities.

CS facilities indicated that the Bank had been effective in ensuring an open and timely exchange of information through both scheduled engagements and the management of emerging issues. The regular scheduled engagements were described as effective and appropriate.

One respondent encouraged ongoing review of current arrangements, noting that while the regulatory engagement timetable has been working well, ongoing review was important to ensure that the arrangements in place continue to meet the needs of regulators, while avoiding unnecessary burden on regulated entities. It was also suggested that the effectiveness of engagement could be further enhanced by: removing items from the agenda where a written response has been provided; providing additional lead time for responding to queries; and ensuring all questions are relevant.

Reserve Bank assessment

The Bank's regulatory framework for CS facilities is aligned with international best practice, and the Bank regularly engages with relevant overseas regulators to learn from peer experiences. The Bank's engagement with CS facilities is generally effective. Efforts to provide greater transparency around the timeline of activities and to keep entities apprised of upcoming issues have been beneficial. The Bank intends to continue engaging with the CS facilities to ensure ongoing improvement in its approach to regulation. The Bank intends to explore opportunities to further streamline agendas for meetings, be mindful of providing adequate lead time for entities responding to queries ahead of meetings, and ensure that the scope of questions remains targeted and relevant.

KPI 2 Communication with regulated entities is clear, targeted and effective

The metrics for this KPI relate to: published standards and guidance material; consultation on any proposed changes to this material; and CS facilities' assessment of the clarity and timeliness of the Bank's bilateral communication.

All CS facilities responded positively with respect to the Bank's communications, noting that communication quality continues to improve. The Bank was described as receptive to feedback and willing to engage collaboratively. The information the Bank publishes on its website was considered to be timely, clear and comprehensive.

The Bank makes its formal assessment reports on CS facility licensees publicly available on its website, with the Bank's oversight activities in respect of CS facilities disclosed annually in the Payments System Board's Annual Report. There were no changes in the Bank's Financial Stability Standards (FSS) over 2018/19.

CS facilities welcomed the Bank's engagement ahead of proposed changes to regulation, with one describing the Bank's receptiveness to feedback as principled and pragmatic. One of the respondents indicated that, on occasion, timelines for proposed changes could be clearer and one of the respondents highlighted the challenges of responding to the related international surveys and questionnaires in a timely manner, especially when requests for information coincided with the Bank's assessment of the CS facility. However it was recognised that this was somewhat outside of the Bank's control.

Reserve Bank assessment

Both objective measures and feedback from regulated entities suggest that the Bank's communication with CS facilities is generally clear, targeted and effective. In particular, survey responses note the Bank's collaborative and proactive approach and its receptiveness to feedback. The Bank will continue to provide as much forward notice around proposed changes to its regulation as possible.

KPI 3 Actions undertaken by regulators are proportionate to the regulatory risk being managed

The metrics for this KPI relate to: the Bank's risk-based approach to regulating CS facilities; its engagement with regulated entities to inform them of expectations; and the CS facilities' feedback on the Bank's graduated approach.

As noted above, the Bank published revised guidance on its approach to supervising and assessing CS facilities in June, setting out factors that the Bank will consider to classify CS facility licensees into categories based on their systemic importance in Australia. The statement outlines the Bank's general approach to supervision and conducting compliance assessments of CS facility licensees based on this categorisation. A distinction is made between the approach that the Bank will take in respect of domestic licensees as opposed to overseas licensees that are primarily supervised under a sufficiently equivalent overseas regulatory regime. All respondents expressed support for the Bank's graduated approach to oversight of licensed CS facilities, as articulated in the statement.

One respondent suggested that the scope of annual assessments has been increasing and encouraged ongoing review of the assessment process and consideration of further efficiencies. Another entity noted that the process of determining systemic importance, or the strength of a domestic connection, required a level of judgement by the Bank which makes it difficult for CS facilities to fully appreciate potential compliance obligations. The Bank was also encouraged to continue to engage with, and place reliance on, overseas CS facilities' home regulators as appropriate.

Reserve Bank assessment

The Bank acknowledges there is a degree of judgement in its approach to engagement with overseas CS facilities, but it seeks to provide clarity through its bilateral engagement with each CS facility. The focus of the Bank's supervision of the overseas CS facilities licensed in Australia tends to be the aspects of the Australian regulatory framework that are not covered in overseas regulatory regimes. The Bank will continue its efforts to align the frequency, scope and level of detail of compliance assessments of CS facilities with each facility's systemic importance to the Australian financial system.

KPI 4 Compliance and monitoring approaches are streamlined and coordinated

The metrics for this KPI relate to: coordination with other regulators and reporting arrangements for CS facilities.

The feedback on domestic cooperation from all respondents remained unanimously positive, with one CS facility noting that coordination between the Bank and ASIC has been greatly enhanced in recent years. Coordination with and/or placing greater reliance on, overseas regulators is still seen as an area that could be improved.

One CS facility indicated that the scope of data and reports requested by the Bank is appropriate. The other respondents suggested that the Bank's information requests were large relative to either the past or other regulators' requests. The Bank was encouraged to pursue innovative IT solutions to support the exchange of large volumes of data and ensure secure access, and to consider potential efficiencies to reporting processes.

Reserve Bank assessment

The Bank has cooperation arrangement letters in place with all CS facilities to ensure there is clarity on the scope and frequency of material the Bank requires on an ongoing basis. These documents are reviewed and updated as required. The Bank will continue its efforts to improve coordination with overseas regulators and, in line with its policies, rely on information provided by the home regulator where possible. The Bank will continue to explore options to enhance and streamline its data collection processes.

KPI 5 Regulators are open and transparent in their dealings with regulated entities

The metrics for this KPI relate to: the information the Bank publishes on its regulation; and CS facilities' assessment of the openness, transparency, consistency and predictability of the Bank in its dealings with the CS facility.

The Bank has fulfilled all of the publication commitments under the Regulator Performance Framework. The Bank has published its assessment of each CS facility on the Bank's website and a summary of its work in the Annual Report. The Bank has also set out its approach to assessing CS facility licensees on its website.

All respondents considered the Bank to be open and transparent in its dealings with CS facilities and described the Bank's advice to entities as generally consistent and predictable. One respondent noted that changes in personnel have occasionally led to an inconsistent approach. Another stated that, while the Bank's advice is consistent, it remains potentially incompatible with the regulatory, legal and market structure in the home jurisdiction of overseas CS facilities, which reduces the predictability of the application of regulation and policy.

Reserve Bank assessment

Both survey and non-survey metrics support the openness and transparency of the Bank's regulation of CS facilities. The Bank provides a structured internal training program to facilitate new staff's understanding of CS facilities. In terms of the predictability of the application of regulation and policy to overseas CS facilities, the Bank is confident this will continue to move forward as the relationship between overseas CS facilities, their home regulator and the Bank matures.

KPI 6 Regulators actively contribute to the continuous improvement of regulatory frameworks

The metrics for this KPI relate to international policy development, engagement with CS facilities and reporting of stakeholder feedback to the Payments System Board.

As outlined above, the Bank's regulatory framework is aligned with international standards, and the Bank continues to be actively engaged in the development of international policy. Survey respondents

described their relationship with the Bank as cooperative and collaborative, while noting that ongoing efforts to improve engagement will enhance the relationship over time. In 2018/19 there was a slight increase in the number of meetings with CS facilities (compared with the previous period). This was largely to ensure that meetings are focused on specific areas of interest and to limit the need for CS facilities to field a large number of specialist staff at each meeting. This approach was discussed and agreed with the affected CS facilities before being implemented.

The Bank has again provided a draft of this report, setting out stakeholder feedback, to the Payments System Board.

Reserve Bank assessment

The Bank is an active contributor to international policy development. The Bank's openness to continuously improving its regulatory approach is underscored by the fact that the feedback provided in the survey responses was consistent with ongoing discussions with the CS facilities on how to improve the regulatory relationship.

Appendix 1: Retail Payment Systems Metrics

Key Performance Indicators (KPIs)	RPF Measures of Good Regulatory Performance	RBA non-survey metrics	RBA survey questions
<p>KPI 1 – Regulators do not unnecessarily impede the efficient operation of regulated entities</p>	<p>Regulators demonstrate an understanding of the operating environment of the industry or organisation, or the circumstances of individuals and the current and emerging issues that affect the sector.</p> <p>Regulators take actions to minimise the potential for unintended negative impacts of regulatory activities on regulated entities or affected supplier industries and supply chains.</p> <p>Regulators implement continuous improvement strategies to reduce the costs of compliance for those they regulate.</p>	<p>Evidence of stakeholder consultation in development of any new regulations</p> <p>Demonstrated ongoing engagement with regulated entities and other stakeholders – including the Australian Payments Clearing Association, the Australian Payments Council and the Payments Consultation Group (of payments system end-users).</p>	<p>Rate the RBA's:</p> <ul style="list-style-type: none"> understanding of the environment in which regulated entities operate awareness and understanding of emerging issues that affect the sector awareness of any unintended consequences of administering, monitoring and enforcing its regulation efforts to minimise compliance costs on regulated entities associated with its regulation. <p>(defined scale, plus scope for free-form comments)</p> <p>Are there opportunities for the RBA to reduce unintended consequences of administering, monitoring and enforcing its regulation?</p> <p>Are there opportunities for the RBA to reduce the compliance costs associated with its regulation?</p>

Key Performance Indicators (KPIs)	RPF Measures of Good Regulatory Performance	RBA non-survey metrics	RBA survey questions
KPI 2 – Communication with regulated entities is clear, targeted and effective	<p>Regulators provide guidance and information that is up to date, clear, accessible and concise through media appropriate to the target audience.</p> <p>Regulators consider the impact on regulated entities and engage with industry groups and representatives of the affected stakeholders before changing policies, practices or service standards.</p> <p>Regulators' decisions and advice are provided in a timely manner, clearly articulating expectations and the underlying reasons for decisions.</p> <p>Regulators' advice is consistent and supports predictable outcomes.</p>	<p>Publication of regulations and explanatory material</p> <p>Evidence of stakeholder consultation in development of any new regulations / changes to regulations</p>	<p>Rate:</p> <p>the RBA's engagement with stakeholders when developing or reviewing regulation</p> <p>the adequacy of the guidance and information the RBA provides to regulated entities on its regulation</p> <p>the RBA's responses to any of your requests for information or clarification on RBA regulation.</p> <p>(defined scale, plus scope for free-form comments)</p>
KPI 3 – Actions undertaken by regulators are proportionate to the regulatory risk being managed	<p>Regulators apply a risk-based, proportionate approach to compliance obligations, engagement and regulatory enforcement actions.</p> <p>Regulators' preferred approach to regulatory risk is regularly reassessed. Strategies, activities and enforcement actions are amended to reflect changing priorities that result from new and evolving regulatory threats, without diminishing regulatory certainty or impact.</p> <p>Regulators recognise the compliance record of regulated entities, including using earned autonomy where this is appropriate. All available and relevant data on compliance, including evidence of relevant external verification is considered.</p>	<p>Regulations permit self-certification of compliance where appropriate.</p> <p>The number and type of enforcement actions undertaken.</p>	<p>Please estimate in person-hours the time spent in the last year demonstrating compliance (rather than complying) with RBA regulation (e.g. certification, provision of interchange data).</p> <p>Is there any scope for a more risk-based approach to compliance and monitoring activities?</p>
KPI 4 – Compliance and monitoring approaches are streamlined and coordinated	<p>Regulators' information requests are tailored and only made when necessary to secure regulatory objectives, and only then in a way that minimises impact.</p> <p>Regulators' frequency of information collection is minimised and coordinated with similar processes including those of other regulators so that, as far as possible, information is only requested once.</p> <p>Regulators utilise existing information to limit the reliance on requests from regulated entities and share the information among other regulators, where possible.</p> <p>Regulators base monitoring and inspection approaches on risk and, where possible, take into account the circumstance and operational needs of the regulated entity.</p>	<p>Documented arrangements for policy co-ordination and information sharing between the RBA and the ACCC in relation to payment systems.</p>	<p>Rate:</p> <p>the reasonableness of data requested by the RBA – in terms of scope, frequency and timing</p> <p>the reasonableness of other, <i>ad hoc</i> information requests from the RBA – in terms of scope, frequency and timing.</p> <p>(defined scale, plus scope for free-form comments)</p> <p>Is there any scope to better align data requested by the RBA from you with data that you use internally?</p> <p>Is there scope for better alignment of data requirements or regulatory processes with other regulators?</p>

Key Performance Indicators (KPIs)	RPF Measures of Good Regulatory Performance	RBA non-survey metrics	RBA survey questions
KPI 5 – Regulators are open and transparent in their dealings with regulated entities	<p>Regulators' risk-based frameworks are publicly available in a format which is clear, understandable and accessible.</p> <p>Regulators are open and responsive to requests from regulated entities regarding the operation of the regulatory framework, and approaches implemented by regulators.</p> <p>Regulators' performance measurement results are published in a timely manner to ensure accountability to the public.</p>	<p>Publication of regulatory objectives</p> <p>Publication of regulatory developments in Payments System Board (PSB) Annual Report</p> <p>Publication of summary of feedback in PSB Annual Report</p> <p>Publication of policies and reports complies with accessibility guidelines</p>	<p>Rate:</p> <p>the adequacy of the information that the RBA makes available publicly on its approach to regulation and regulatory framework</p> <p>the RBA's responsiveness to requests/queries regarding the operation of the regulatory framework. (defined scale, plus scope for free-form comments)</p>
KPI 6 – Regulators actively contribute to the continuous improvement of regulatory frameworks	<p>Regulators establish cooperative and collaborative relationships with stakeholders to promote trust and improve the efficiency and effectiveness of the regulatory framework.</p> <p>Regulators engage stakeholders in the development of options to reduce compliance costs. This could include industry self-regulation, changes to the overarching regulatory framework, or other strategies to streamline monitoring and compliance approaches.</p> <p>Regulators regularly share feedback from stakeholders and performance information (including from inspections) with policy departments to improve the operation of the regulatory framework and administrative processes.</p>	<p>RBA engagement in domestic and international policy research on retail payments (qualitative)</p> <p>Engagement with regulated entities and other stakeholders – categorised by trigger for engagement (count).</p> <p>Reporting of stakeholder feedback to the PSB</p>	<p>Rate the RBA's efforts to establish and maintain cooperative and collaborative relationships with stakeholders. (defined scale, plus scope for free-form comments)</p> <p>Please comment on any other aspects of the administration, monitoring or enforcement of the RBA's regulation which you do not feel have been adequately covered in any of the questions above.</p>

Appendix 2: CS Facility Metrics

Key Performance Indicators (KPIs)	RPF Measures of Good Regulatory Performance	RBA non-survey metrics	RBA survey questions
<p>KPI 1 – Regulators do not unnecessarily impede the efficient operation of regulated entities</p>	<p>Regulators demonstrate an understanding of the operating environment of the industry or organisation, or the circumstances of individuals and the current and emerging issues that affect the sector.</p> <p>Regulators take actions to minimise the potential for unintended negative impacts of regulatory activities on regulated entities or affected supplier industries and supply chains.</p> <p>Regulators implement continuous improvement strategies to reduce the costs of compliance for those they regulate.</p>	<p>Is a regular review of compliance/regulatory approach conducted?</p> <p>Alignment with international best practice (e.g. results of PFMI responsibilities assessment for Australia).</p> <p>Evidence of stakeholder consultation in development of any new standards / changes to standards.</p> <p>Demonstrated engagement with relevant international regulators (and, where relevant, other industry participants) to learn from peer experiences and share better practices.</p>	<p>Are the RBA's regular scheduled engagements with the CS facility (e.g. scheduled operational and executive level meetings) an effective method of exchanging pertinent information with the RBA, including regarding compliance issues, without imposing unnecessary burden? How could their effectiveness be improved? Please consider the frequency and length of meetings, the appropriateness of the attendees, the agenda, the level of preparation.</p> <p>Are the RBA's engagements with the CS facility on emerging issues effective in ensuring there is an open and timely exchange of views and information? How could their effectiveness be improved? Please consider the timeliness of such engagements and the appropriateness of the attendees.</p> <p>Does the RBA demonstrate an understanding of the CS facility's operating environment? If not, please give examples.</p>

Key Performance Indicators (KPIs)	RPF Measures of Good Regulatory Performance	RBA non-survey metrics	RBA survey questions
<p>KPI 2 – Communication with regulated entities is clear, targeted and effective</p>	<p>Regulators provide guidance and information that is up to date, clear, accessible and concise through media appropriate to the target audience.</p> <p>Regulators consider the impact on regulated entities and engage with industry groups and representatives of the affected stakeholders before changing policies, practices or service standards.</p> <p>Regulators' decisions and advice are provided in a timely manner, clearly articulating expectations and the underlying reasons for decisions.</p> <p>Regulators' advice is consistent and supports predictable outcomes.</p>	<p>Publication of standards and guidance material. (yes/no)</p> <p>Evidence of stakeholder consultation in development of any new standards or changes to existing standards.</p>	<p>Has the RBA adequately consulted with the CS facility regarding all relevant proposed changes to its regulation of CS facilities? How could the RBA's consultation with CS facilities (e.g. consultation papers, consultation meetings) on policy development be improved? Please consider the clarity and timeliness of such engagements.</p> <p>Are the RBA's expectations, decisions and advice (including with respect to requests/queries regarding the operation of the regulatory framework) communicated in a clear and timely manner? How could the RBA's communication with the CS facility be improved?</p> <p>Are the RBA's published materials regarding its supervision of CS facilities (e.g. Financial Stability Standards, Assessments, consultations) up to date, clear, accessible and concise? If not, what improvements could be made?</p>
<p>KPI 3 – Actions undertaken by regulators are proportionate to the regulatory risk being managed</p>	<p>Regulators apply a risk-based, proportionate approach to compliance obligations, engagement and regulatory enforcement actions.</p> <p>Regulators' preferred approach to regulatory risk is regularly reassessed. Strategies, activities and enforcement actions are amended to reflect changing priorities that result from new and evolving regulatory threats, without diminishing regulatory certainty or impact.</p> <p>Regulators recognise the compliance record of regulated entities, including using earned autonomy where this is appropriate. All available and relevant data on compliance, including evidence of relevant external verification is considered.</p>	<p>Application of graduated framework (& publication of that framework as set out in the CFR appropriate influence policy and the FSS).</p> <p>Publicly available graduated approach to assessing CS facilities & frequency of assessments.</p> <p>Demonstrated engagement with regulated entities to inform them of expectations by production of regulatory priorities & ability for regulated firms to provide feedback. (qualitative)</p>	<p>The Bank applies a graduated approach to oversight of licensed CS facilities, which is designed to be proportionate to the regulatory risk being managed. This approach is set out in the Bank's policy statement <i>Frequency and Scope of Regulatory Assessments of Licensed Clearing and Settlement Facilities</i> and the Council of Financial Regulators' policy statement <i>Ensuring Appropriate Influence for Australian Regulators over Cross-border Clearing and Settlement Facilities</i>. Are there other ways in which the Bank could be applying this graduated approach, that balance the regulatory impact on CS facilities while still meeting its oversight responsibilities and policy objectives?</p>

Key Performance Indicators (KPIs)	RPF Measures of Good Regulatory Performance	RBA non-survey metrics	RBA survey questions
<p>KPI 4 – Compliance and monitoring approaches are streamlined and coordinated</p>	<p>Regulators' information requests are tailored and only made when necessary to secure regulatory objectives, and only then in a way that minimises impact.</p> <p>Regulators' frequency of information collection is minimised and coordinated with similar processes including those of other regulators so that, as far as possible, information is only requested once.</p> <p>Regulators utilise existing information to limit the reliance on requests from regulated entities and share the information among other regulators, where possible.</p> <p>Regulators base monitoring and inspection approaches on risk and, where possible, take into account the circumstance and operational needs of the regulated entity.</p>	<p>Coordination with overseas regulators re – data, assessments, reliance, prioritization of work. (qualitative)</p> <p>Coordination with ASIC. (qualitative)</p>	<p>Does the RBA appropriately coordinate regulatory requests and other regulatory engagement with other Australian regulators (including ASIC) where appropriate? How could such coordination be improved?</p> <p>Does the RBA appropriately coordinate regulatory requests and other regulatory engagement with the CS facility's home/primary regulator where appropriate (where relevant)? How could such coordination be improved?</p> <p>Is the scope of the regular data and reports required by the RBA appropriate? How could these reporting arrangements be improved? Please consider the extent to which required data and reports align with those generated for other purposes (e.g. internal risk management or disclosure to participants). Are the frequency and timing of regular reporting requirements and/or ad-hoc data requests appropriate?</p>
<p>KPI 5 – Regulators are open and transparent in their dealings with regulated entities</p>	<p>Regulators' risk-based frameworks are publicly available in a format which is clear, understandable and accessible.</p> <p>Regulators are open and responsive to requests from regulated entities regarding the operation of the regulatory framework, and approaches implemented by regulators.</p> <p>Regulators' performance measurement results are published in a timely manner to ensure accountability to the public.</p>	<p>Information published regarding approach to supervision. (yes/no)</p> <p>Publication of assessment and summary of work in annual report. (yes/no)</p> <p>Publication of summary of feedback in PSB Annual Report.</p> <p>Publication of policies and reports complies with accessibility guidelines.</p>	<p>Is the RBA open and transparent in its dealings with the CS facility? If not, please give examples.</p> <p>Is the RBA advice to the CS facility regarding the application of regulation or policy (e.g. including but not limited to the application of the Financial Stability Standards and the CFR's 'Appropriate Influence Policy') consistent and predictable? If not, please give examples.</p>

Key Performance Indicators (KPIs)	RPF Measures of Good Regulatory Performance	RBA non-survey metrics	RBA survey questions
<p>KPI 6 – Regulators actively contribute to the continuous improvement of regulatory frameworks.</p>	<p>Regulators establish cooperative and collaborative relationships with stakeholders to promote trust and improve the efficiency and effectiveness of the regulatory framework.</p> <p>Regulators engage stakeholders in the development of options to reduce compliance costs. This could include industry self-regulation, changes to the overarching regulatory framework, or other strategies to streamline monitoring and compliance approaches.</p> <p>Regulators regularly share feedback from stakeholders and performance information (including from inspections) with policy departments to improve the operation of the regulatory framework and administrative processes.</p>	<p>Alignment of regulatory framework with international principles. (yes/no)</p> <p>RBA engagement in development of international policy. (qualitative)</p> <p>Documented procedures are in place to allow active and regular engagement with CS facilities, as per published approach to assessing CS facilities. (yes/no supported by qualitative details re number of regular quarterly/semi-annual meetings held with CS facilities)</p> <p>Reporting of stakeholder feedback to the PSB.</p>	<p>Do you believe your relationship with the RBA is appropriately cooperative and collaborative? If not, how could this be improved?</p>

Appendix 3: Retail Payments Systems: Summary of Feedback

Table 1: Retail Payments Regulation
Range and Average Ratings on Numerical Key Performance Indicator (KPI) Metrics

KPI	Metric	Range ^(a) (out of 5)	Average ^(a) (out of 5)
Regulators do not unnecessarily impede the efficient operation of regulated entities	– understanding of the environment in which regulated entities operate	3–4	3.6
	– awareness and understanding of emerging issues that affect the sector	2–4	3.3
	– awareness of unintended consequences of administering, monitoring and enforcing regulation	2–4	2.9
	– efforts to minimise compliance costs on regulated entities associated with regulation	2–5	3.3
Communication with regulated entities is clear, targeted and effective	– engagement with stakeholders when developing or reviewing regulation	3–5	3.9
	– adequacy of the guidance and information provided to regulated entities on regulation	3–5	3.9
	– responses to requests for information or clarification on RBA regulation	3–5	4.1
Compliance and monitoring approaches are streamlined and coordinated	– reasonableness of data requested by the RBA – in scope, frequency and timing	3–5	3.6
	– the reasonableness of other, ad hoc information requests from the RBA – in scope, frequency and timing	3–5	3.6
Regulators are open and transparent in their dealings with regulated entities	– adequacy of the information that the RBA makes available publicly on its approach to regulation and regulatory framework	3–5	3.8
	– responsiveness to requests/queries regarding the operation of the regulatory framework	3–5	4.1
Regulators actively contribute to the continuous improvement of regulatory frameworks	– efforts to establish and maintain cooperative and collaborative relationships with stakeholders	3–5	4.1

(a) Ratings are from 1 to 5. Discussion in the body of this assessment treats 1 as 'very poor', 2 as 'poor', 3 as 'satisfactory', 4 as 'good', and 5 'very good'.

Appendix 4: Identified Actions in the 2017/18 Assessment

Retail Payment Systems

Identified action	Progress
Continue to engage with a diverse range of entities in order to understand the operating environment, emerging trends and technology	Ongoing. The Bank continues engage with a wide range of parties, and held around 300 bilateral meetings with interested parties in 2018/19 on retail payments issues, up from 200 the year before.
Continue efforts to communicate clearly with stakeholders and others, including in relation to regulatory guidance	Ongoing. The Bank strives to produce clearly written materials suitable for a range of different interested parties.
Continue to engage with regulated entities to ensure the Bank is fully aware of the implications of policies and regulations, including implementation and compliance issues	Ongoing. An example in 2018/19 was the Bank consulting on improvements to net compensation provisions in interchange standards to improve the clarity and operation of the standards in a way that also minimises compliance burden for regulated entities.
Continue to review compliance and information gathering processes to minimise costs and uncertainties for regulated entities	Ongoing. When requesting information and data, the Bank will continue to be mindful of the resources and time required by regulated entities to provide the information.

Clearing and Settlement Facilities

Identified action	Progress
Ongoing review of the annual assessment process, with the objective of minimising the burden on regulated entities without compromising the benefits of disclosure	Ongoing. The Bank's revised approach to supervising and assessing CS facilities seeks to align the frequency, scope and level of detail of assessments with a CS facility's systemic importance to the Australian financial system. One practical outcome of the revised approach has been a reduction in the frequency of assessments for certain regulated entities.
Continue to improve coordination with overseas regulators, giving consideration to the scope for greater reliance on foreign regulatory authorities where appropriate	Ongoing. The Bank has sought to clarify where it places reliance on foreign regulatory authorities, which has been reflected in its published assessments of overseas CS facilities.
Explore opportunities to further streamline agendas for operational meetings between the Bank and CS facilities and ensure the scope of questions for these meetings remains targeted	Ongoing. Following consultation, meetings focused on specific areas of interest (with suitably targeted agendas and questions) have been introduced. This has limited the need for affected CS facilities to field a large number of specialist staff at each meeting.