

2019-2020 Assessment under the Regulator Performance Framework

February 2021

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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 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).

The Bank seeks to continuously improve its regulatory approach. To support its fifth assessment under the Framework, the Bank surveyed a sample of retail payments participants and the CS facilities it regulates. This assessment covers a 15-month period, from July 2019 to September 2020. 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.

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>.

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.

Summary of Assessment

With respect to its regulation of **retail payment systems**, the Bank is assessed to have met the KPIs in the 2019-2020 assessment period. The Bank approached 16 regulated entities and received 8 responses (the same response rate as for the 2018/19 survey), including one respondent that indicated that they had no issues or concerns to raise. It is reasonable to assume that the other eight non-respondents did not have significant issues to raise. On average, the regulated entities that participated in this year's survey indicated that the Bank performed well across most aspects of the KPIs. However, feedback varied across respondents, with less-than-satisfactory ratings from one or two particular respondents. For these latter entities, some of the feedback received in part appeared to reflect differences in views about the content or setting of policy rather than being purely a comment on the processes that support regulation and policymaking which is the focus of the RPF.²

Regulated entities provided a number of constructive suggestions for how the Bank could continue to improve its approach to administering its regulation. The Bank will consider this feedback, and more generally will continue to seek feedback as part of its regular engagement with industry.

Overall, stakeholders considered the Bank to have a good understanding of the operating environment for regulated entities, and the emerging issues that affect the sector. Respondents rated the Bank's awareness of unintended consequences of administering, monitoring and enforcing its regulation as satisfactory overall, although there was a range of views, with a couple of respondents rating the Bank's performance as less than satisfactory in this area.

All but one respondent ranked the Bank's efforts to foster effective relationships with stakeholders as satisfactory or better, with some indicating that the Bank clearly seeks to maintain cooperative relationships with stakeholders. However, one entity viewed the Bank's efforts in this area as having reduced over the past couple of years.

Almost all respondents rated the Bank's communication as being satisfactory or better. Stakeholders generally rated the adequacy of guidance provided to regulated entities positively, with published consultation documents in particular viewed favourably. Most stakeholders indicated that the Bank was responsive to requests for information or clarification related to the Bank's regulation, and that it provided sufficiently timely responses. One or two respondents reported having a more mixed or poorer experience regarding the Bank's responsiveness to queries or adequacy of guidance.

The Bank's efforts to minimise compliance and reporting costs were generally rated positively. Across individual respondents, most stakeholders rated the Bank's efforts as satisfactory or better, while two other respondents saw limited evidence of the Bank having a clear focus on minimising compliance and reporting-related costs. More generally, respondents indicated that the Bank's approach to monitoring and compliance was appropriate, and they did not see significant scope for a more risk-based approach, reflecting the framework whereby regulated entities self-certify that they have adhered to the Bank's regulations.

2 There are frequent opportunities for regulated entities to comment on policy settings in their engagement with the Bank and as part of periodic reviews of the regulatory framework (such as the Review of Retail Payments Regulation that is currently underway).

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.³

Feedback from regulated entities suggest implementation of the revised approach has been beneficial. 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 Bank demonstrated flexibility in its approach to assessment requirements in 2020 in light of COVID-19 and the challenges CS facilities were responding to. The Bank will continue efforts to nuance its approach.

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. Coordination with, and/or placing greater reliance on, overseas regulators has been an area of ongoing focus, with CS facilities acknowledging progress in this regard. Recognising that these arrangements are continuously evolving, the Bank 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.

3 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>

Box A: Suggested Actions Identified in this Assessment⁴

Retail Payment Systems

- more proactively reach out to a diverse range of entities to understanding emerging issues in Australia and overseas, including the role of new technology, business models, competitive dynamics and challenges being faced by industry participants
- prioritise seeking feedback from regulated entities on ways the Bank could further minimise compliance costs and avoid unintended consequences related to administering regulation
- continue efforts to communicate clearly with stakeholders, and be accessible to entities that wish to receive updates during consultation processes
- more regularly highlight broader strategic priorities and other emerging trends when engaging with stakeholders.

Clearing and Settlement Facilities

- continue efforts to provide advanced notice of areas where information beyond written responses provided may be discussed in meetings
- identify further opportunities to build practical industry and product knowledge
- continue focus on clarity of the Bank's communication through ongoing training and monitoring of performance
- maintain efforts to ensure clarity and consistency in the way the Bank applies its framework and communicates its policy objectives
- maintain focus on coordination with overseas regulators and reliance on information provided by home regulators, in line with Bank policies.

⁴ See Appendix 4 for the Actions Identified in the 2018/19 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 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. Of the surveyed stakeholders, three schemes and five issuers/acquirers provided responses; this overall response rate of 50 per cent is the same as the response rate for the 2018/19 survey. 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 compliance issues. In the 15 months to September 2020, Payments Policy staff held more than 260 meetings with stakeholders on retail payments issues. This does not include numerous less formal interactions, nor meetings between the Payments System Board Chair or Deputy Chair with stakeholders.

These meetings covered topics such as emerging payments-related trends and issues, compliance with the Bank's standards, and initial consultations with stakeholders on the Bank's ongoing Review of Retail Payments Regulation, which was started in late 2019 but put on hold for part of 2020 to reduce demands on stakeholders dealing with the impacts of the COVID-19 pandemic. Each year the Bank also convenes two meetings of its 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.

On average, stakeholders responding to the 2019-2020 survey considered the Bank to have a good understanding of the operating environment for regulated entities, and of emerging issues that affect the sector. However, respondents continued to have a range of views about the Bank's performance in this area, with individual ratings ranging from 'poor' to 'very good', though with most entities rating the Bank's performance as either 'good' or 'satisfactory'.

Respondents provided constructive feedback including that: while the Bank clearly makes some effort to understand emerging issues, it should devote more resources to monitoring international developments and the rapidly changing domestic market, particularly in relation to the emergence of unregulated entities. One respondent was of the view that the Bank does not have a deep understanding of the operations of different types of industry participants, the roles each play in the market, and the pressures they face.

Respondents rated the Bank's awareness of unintended consequences of administering, monitoring and enforcing its regulation as 'satisfactory' overall, although there was a wide range of responses (ranging from 'very poor' to 'very good'). One of the respondents that indicated there was room for improvement in this area noted that while the pause in the Bank's Review of Retail Payments Regulation due to the COVID-19 pandemic was generally understandable, it had led to a longer period of uncertainty for the industry, and this for instance had affected the ability of participants to make strategic decisions.

Another entity noted that the Bank could more carefully consider how the industry will respond to the Bank's regulation, and the unintended impacts that may arise. One example given was the Bank's move to a quarterly frequency for demonstrating compliance with the interchange fee benchmarks, which was thought to have led to an increase in the frequency of interchange fee adjustments and associated costs faced by acquirers. Two respondents suggested that there had been unintended consequences relating to the annual certification processes related to the 'net compensation' provision in the interchange standards, which they saw as being open to interpretation and subject to a number of changes over an extended period.

The Bank's efforts to minimise compliance costs were rated as satisfactory on average. Most stakeholders rated the Bank's efforts as satisfactory or better, for instance pointing to the changes to improve the clarity and operation of the 'net compensation' provision in the interchange standards as an example of where the Bank had made efforts to reduce compliance costs. On the other hand, two respondents saw limited evidence of the Bank focusing on minimising compliance and reporting-related costs.

Respondents provided a number of suggestions for how the Bank could reduce its compliance costs including: engaging early with regulated entities to understand the level of complexity involved in complying with regulations or reporting information; issuing more precise regulation that does not require as much effort on the part of regulated entities in terms of interpretation and legal advice; and establishing more automated reporting arrangements and minimising *ad hoc* requests.

Reserve Bank assessment

As noted, respondents generally consider that the Bank understands the current environment and emerging issues in the sector well, has satisfactory awareness of unintended consequences of regulation, and attempts to minimise compliance costs. This positive overall rating reflects the considerable effort on the part of the Bank's staff to: understand the market, policy issues and practical policy implementation considerations; and engage widely with participants in the payments system.

Nevertheless, certain regulated entities rated the Bank's efforts as less than satisfactory in some areas. The Bank acknowledges the challenges involved in staying abreast of numerous business and technological developments, and potential policy issues, in a rapidly evolving market in Australia and overseas. In terms of some of the specific feedback stakeholders provided, while Bank staff do already place importance on understanding the expanding range of business models in the market, there may

be scope for the Bank to be more proactive in reaching out to stakeholders to understand business models, technologies and challenges being faced. The Bank has regular liaison processes in place with other domestic regulators, including through the Council of Financial Regulators, which help us to better understand and respond to the range of issues facing participants in the financial system.

In regard to some of the feedback about efforts to minimise compliance costs, the Bank recognises that the move to quarterly compliance for the interchange benchmarks has resulted in more frequent interchange resets by schemes (for credit cards, but not for debit cards). However, the move has resulted in the benchmark becoming a more effective cap on average interchange fees than under the previous three-yearly benchmark compliance, and the frequency of credit card resets could be reduced or eliminated if schemes chose to set their interchange schedules more conservatively; in the case of frequent debit card resets, these are purely the result of scheme business decisions. The Bank sought feedback from regulated entities on this issue as part of the ongoing Review of Retail Payments Regulation. The Bank will continue to seek feedback from regulated entities on ways the Bank could further minimise compliance costs associated with its regulations.

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 has published '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 almost all respondents rating the Bank's efforts in this area as being more than satisfactory. Respondents generally saw the Bank as engaging well with the industry when developing or reviewing regulation, with its staff making themselves available and being open and transparent. One respondent suggested it would be helpful for the Bank to provide more frequent updates during consultations on the progress and likely directions, including by providing written updates to all relevant stakeholders.

Stakeholders generally rated the adequacy of guidance provided to regulated entities as 'good', with published consultation documents viewed as being comprehensive. One respondent felt that some other Bank communications such as payments-related speeches and media releases provided less clear guidance.

Most stakeholders indicated that the Bank was responsive to requests for information or clarification related to the Bank's regulation, including accepting requests at short notice to discuss regulation, and providing timely responses to questions and requests for clarification. One respondent felt that the Bank could have been more responsive in relation to a particular issue that organisation raised, and another entity noted that it had a mixed experience, with guidance sometimes unclear and not as extensively informed as the entity would expect.

Reserve Bank assessment

Feedback was generally positive about the Bank's engagement and communication with stakeholders, with all but one respondent to the survey rating the Bank's performance in this area as satisfactory or better. Nevertheless, the Bank will continue to place an emphasis on improving its industry engagement and communications approaches to ensure that stakeholders have adequate opportunity to communicate their views, and that the Bank provides timely, clear, and comprehensive regulatory guidance, where needed.

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 Bank regulations during the assessment period continued to vary significantly across respondents, however generally the range of effort across organisations and the average effort reported were largely unchanged from the previous year. Across respondents, the median time spent demonstrating compliance with the Bank's regulations was the equivalent of around 1½ weeks work per year for a staff member, although two organisations reported significantly higher estimates.

Generally respondents thought the Bank had an appropriate approach to monitoring and compliance, and there was not scope for a more risk-based approach, with one entity appreciating the flexibility in reporting arrangements, and another noting the relatively streamlined approach of the Bank's framework whereby regulated entities provide self-certifications. There were no enforcement actions undertaken during the assessment period.

Reserve Bank assessment

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 once a year.

Estimates of person hours spent demonstrating compliance with the Bank's retail payments regulations are generally relatively modest for the types of organisations that the Bank regulates, although two issuers/acquirers reported higher estimates. Due to the anonymous nature of the survey it is difficult to assess whether these higher estimates partly reflect time spent maintaining the broader relationship with the Bank in relation to retail payments, rather than specifically related to the time spent demonstrating compliance with the Bank's regulatory requirements. However, it is possible that the higher estimates may to some extent reflect the effort certain issuers expended demonstrating compliance with the net compensation provision in the interchange standards, which has proven more complex than other aspects of the Bank's standards.

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 most recently updated in 2018 and is reviewed every five years or more frequently if necessary.

On average, respondents rated the Bank's performance against this KPI as 'satisfactory', and there was less variability across responses compared to other KPIs. No organisations rated the Bank below 'satisfactory'. Some entities indicated that reporting obligations and requests were reasonable, including during the COVID-19 pandemic. Other entities reported that the frequency and scope of requests had risen substantially during the COVID-19 pandemic and that there would be benefit in attempting to automate reporting processes more.

One entity noted that some additional information requested by the Bank relating to regulatory obligations had been time consuming to prepare, and that some broader reporting arrangements related to retail payments operational incidents were onerous and there could be scope to apply a more risk-based approach in this area. While one entity noted that the rationale of additional information requests was always explained, another organisation noted it would be helpful if more information was provided about the purpose of some requests for specific data.

One regulated entity noted that the Bank has a flexible approach with regard to reporting which can be helpful, while a couple of other entities saw scope to more closely align some broader data requests to data reported to other regulators and private-sector organisations (e.g. to card schemes and the Australian Payments Network). Some respondents also noted that it would be beneficial if there was more alignment to the data reported internally within their organisation, for instance with respect to retail payments operational incidents.

Reserve Bank assessment

All of the regulated entities that responded to the survey rated the Bank's efforts to minimise reporting costs as satisfactory or better. While stakeholders generally indicate that the Bank's compliance and monitoring processes are reasonable, the Bank will continue to be open to any practical suggestions for how reporting arrangements could be improved including: being more streamlined, aligned to internal reporting, avoiding duplication with other external reporting, and automated, whilst still providing regulated entities with a degree of flexibility given differences across organisations. The Bank is cognisant of the costs involved in reporting information, and will continue to be mindful of explaining the policy relevance of the information request. As part of its business-as-usual work, the Bank is currently working with stakeholders to improve some reporting arrangements, including in relation to retail payments operational incidents.

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, though ratings varied. Respondents noted the Bank publishes information that is important in terms of enhancing the broader community's understanding of the payments landscape, in a clear and accessible way. One entity noted the Bank's regulatory documents such as consultation documents, final conclusions papers, and other explanatory material were comprehensive and accessible, with clear rationales for regulatory decisions provided. However, another respondent was of the view that the Bank's approach had been less transparent recently during the pause in the Review of Retail Payments Regulation. A couple of other respondents encouraged the Bank to be alert to how it presents information, for example in speeches, to ensure it presents the information in a balanced way and is conscious of how the information may be used by some industry participants.

As noted above for KPI 2, there was a variety of responses relating to the Bank's responsiveness to requests or queries relating to the operation of the regulatory framework. Some stakeholders indicated that the Bank was responsive, accepting short notice requests to discuss regulation where required, and provided timely responses. However, one respondent felt that the Bank did not adequately respond to particular requests or queries.

Reserve Bank assessment

The Bank publishes a significant amount of information on its regulatory activities on its website, and aims for these publications to be accessible to a wide audience. These publications include consultation-related papers, the Payments System Board Annual Report, Bulletin articles and Research Discussion Papers, transcripts of speeches, and media releases – including those providing an update on matters discussed at each Payments System Board meeting. All but one respondent had a positive view of the Bank's efforts to be open and transparent. Despite this overall positive view, the Bank will look to improve its engagement and responsiveness including by providing more frequent updates during consultations, presenting information in a balanced way, and following up on issues stakeholders want further discussions on.

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

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 Australian and overseas payments systems. It engages with overseas regulators and other parties to better understand emerging trends and alternative approaches to regulation.

During 2019-2020, the Bank participated in a number of international groups that deal with payments issues, including the Committee on Payments and Market Infrastructures (CPMI) and the CPMI's Cross-Border Payments Taskforce, which is assisting the Financial Stability Board (FSB) to deliver a roadmap to enhance cross-border payments. Staff also participate in the EMEAP Working Group on Payments 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 provided the Government with the conclusions of its review of the regulatory framework for stored-value facilities in late 2019, and the CFR Working Group on Distributed Ledger Technology (DLT). The Bank, ASIC and Treasury have also recently established a working group with the ACCC and the Australian Registrars' National Electronic Conveyancing Council (ARNECC) to review elements of the regulatory framework for e-conveyancing.

The Bank has continued to engage extensively with regulated entities and other stakeholders remotely during the COVID-19 pandemic. As noted, the Bank held more than 260 formally scheduled stakeholder meetings related to retail payments during the assessment period. These meetings were initiated by stakeholders as well as the Bank. The 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 2019-2020, stakeholder engagement included two public consultations. In November 2019 the Bank commenced a Review of Retail Payments Regulation with the publication of an Issues Paper and the start of a stakeholder consultation period. The Review was initially expected to be completed by late 2020 but was put on hold in March 2020 owing to the COVID-19 pandemic and is expected to be completed in 2021. In February 2020 the Bank also completed an industry consultation (jointly with the APC) on the strategy for domestic migration to the ISO 20022 messaging standard.

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.

All but one respondent ranked the Bank's efforts to foster effective relationships with stakeholders as satisfactory or better, with some indicating that the Bank clearly seeks to maintain cooperative relationships with industry stakeholders. However, one entity viewed the Bank's efforts in this area as having reduced over the past two years. Another entity welcomed the ongoing engagement at multiple levels of the organisations while another suggested that there could be benefit in the Bank establishing deeper relationships throughout both organisations' hierarchies. Finally, one organisation suggested the Bank could engage with industry participants through a greater range of mediums including webinars and short questionnaires.

Reserve Bank assessment

The Bank engages actively with the domestic and international regulatory community to gain a better understanding of trends, policy issues 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. All but one respondent rated the Bank positively in this regard. As noted above, the Bank will continue to work on improving its industry engagement to ensure it maintains cooperative relationships with stakeholders over time.

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 2019-2020 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 its 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 licensed in Australia.

Most respondents to the CS facility survey indicated that the Bank demonstrates a substantive understanding of the facilities' operating environment. However, one entity noted that Bank staff sometimes demonstrate a somewhat theoretical, academic approach and that the engagement may benefit from a more practical industry and product related perspective from Bank staff.

One respondent noted that the compliance burden should reflect the level of participation in the Australian market, while acknowledging that the Bank has made progress in adapting its oversight approach to reflect the Bank's revised approach to supervising and assessing CS facilities (published in June 2019).⁷ The revised approach seeks to more explicitly align the frequency, scope and level of detail

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>

7 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>

of a compliance assessment of a CS facility with the CS facility's systemic importance to the Australian financial system.

CS facilities indicated that the Bank had been effective in ensuring an open, efficient and timely exchange of information through both scheduled engagements and the management of emerging issues. The regular scheduled engagements were described as positive and collaborative. It was noted that the engagement is well organised and entities are provided with sufficient notice of meetings and an opportunity to contribute to agendas. Entities expressed appreciation for the flexibility demonstrated by the Bank in response to COVID-19.

One respondent encouraged the Bank to identify areas where information beyond the written responses provided may be required ahead of meetings, to ensure the appropriate persons are able to attend discussions.

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. While the Bank endeavours to provide advanced notice of areas where information beyond the written responses provided may be discussed in meetings, staff will be mindful of this feedback.

The Bank acknowledges the value of practical industry and product knowledge, as reflected in its recruitment practices and continuous learning programs. To supplement its knowledge-base the Bank also: engages in liaison with a range of industry practitioners; benchmarks practices across CS facilities in different jurisdictions; and draws on specialised expertise where appropriate. The Bank will continue to identify opportunities to build its knowledge-base in these areas. This does not diminish the Bank's responsibility, under its remit for financial stability, to consider scenarios which have a low probability of occurring (and are in some ways 'theoretical') but which are associated with high impact risks.

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.

CS facilities generally responded positively with respect to the Bank's communications, noting that overall communication is clear and timely. One CS facility highlighted improvements that had occurred in its communication with the Bank as a result of the Bank's implementation of the revised supervisory approach. Another entity indicated it had experienced some variation in the clarity of communication across Bank staff, noting the importance of industry experience. All entities consider the information the Bank publishes on its website to be up to date, clear, accessible and concise.

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 over the reporting period.

All CS facilities indicated that the Bank consults effectively, allocates sufficient time for consultation and is proactive in notifying entities of proposed changes to regulation. One respondent noted that consultation processes by government agencies can vary in quality, suggesting that the Bank performs at the positive end of the spectrum. The Bank was also described as being transparent in communicating its policy objectives.

Reserve Bank assessment

Feedback from regulated entities suggest that the Bank's communication with CS facilities is generally clear, targeted and effective. Survey responses note the Bank's collaborative and proactive approach. The Bank will continue to provide as much forward notice around proposed changes to its regulation as possible. Over the coming period the Bank will continue focus on consistency in the clarity of its communication through ongoing staff training and monitoring of performance.

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 2019, setting out factors that the Bank takes into consideration when classifying 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. Respondents are supportive of the Bank's graduated approach to oversight of licensed CS facilities, as articulated in the statement.

One CS facility noted the importance of regulatory agencies providing clear statements of how regulation will apply across different situations. The entity highlighted the need for clear communication and regulatory certainty, noting the range of relevant stakeholder perspectives which need to be taken into consideration. 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.

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 efforts to ensure clarity and consistency in the way it applies its framework and communicates its policy objectives.

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, noting that the Bank coordinates very well with other agencies and highlighting a significant increase in coordination between the Bank and ASIC in recent years. Feedback on international cooperation was described as appropriate (to the extent it is visible to supervised entities).

One CS facility noted an increasing number of attendees from ASIC and the Bank at meetings, flagging the potential risk that key subject matter experts may feel less comfortable speaking up in meetings where the number of participants has increased significantly – in particular in virtual meetings.

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 align its data and reporting requirements with emerging international standards as much as possible.

One entity referenced the Bank's review of data collected from CS facilities, suggesting the revised data collection may result in a smaller data collection set submitted more frequently. The Bank has consulted with CS facilities on the proposed changes. The aim of the revised collection is to:

- minimise the collection effort for all parties
- improve the quality and scope of data collected
- align the Bank's collection with international practices and developments in financial markets
- maintain the appropriate degree of graduation in line with the Bank's *Approach to Supervising and Assessing Clearing and Settlement Facility Licensees*; and
- modernise the IT systems that support the collection of data.

The new data collection will be implemented over the next few years.

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 maintain its focus on coordination with overseas regulators and reliance on information provided by the home regulator, in line with Bank policies. The revised data collection is expected to improve the quality and scope of data collected, while streamlining 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, with the Bank's advice to entities described as consistent and predictable. One CS facility highlighted the value of early engagement in relation to developing regulatory interpretations, emerging areas of global and local regulatory focus and areas of concern. The entity encouraged the Bank to continue to be proactive in its engagement so that firms are best placed to incorporate regulatory developments into their forward-looking plans.

One CS facility suggested 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 endeavours to be proactive in its engagement and will continue to do so. 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. All survey respondents described their relationship with the Bank as cooperative and collaborative. One respondent noted that ongoing improvements to the style of engagement will continue to enhance the relationship.

In 2020 there was an increase in the number of meetings with CS facilities compared with the previous year. This largely reflected the need for additional liaison associated with COVID-19 and the implementation of CS facilities' pandemic plans.

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 reflected in the feedback provided in the survey responses and consistent with feedback received over the course of the year through CS facilities' ongoing dialogue with the Bank.

Appendix 1: Retail Payment Systems Metrics

Key Performance Indicators (KPIs)	RPF Measures of Good Regulatory Performance	RBA non-survey metrics	RBA survey questions
KPI 1 – Regulators do not unnecessarily impede the efficient operation of regulated entities	<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.</p> <p>(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.</p> <p>(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	2–5	3.6
	– awareness and understanding of emerging issues that affect the sector	2–5	3.6
	– awareness of unintended consequences of administering, monitoring and enforcing regulation	1–5	2.8
	– efforts to minimise compliance costs on regulated entities associated with regulation	2–4	3.0
Communication with regulated entities is clear, targeted and effective	– engagement with stakeholders when developing or reviewing regulation	2–5	3.6
	– 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	2–5	3.8
Compliance and monitoring approaches are streamlined and coordinated	– reasonableness of data requested by the RBA – in scope, frequency and timing	3–4	3.3
	– the reasonableness of other, <i>ad hoc</i> information requests from the RBA – in scope, frequency and timing	3–5	3.4
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	2–5	3.6
	– responsiveness to requests/queries regarding the operation of the regulatory framework	1–5	3.7
Regulators actively contribute to the continuous improvement of regulatory frameworks	– efforts to establish and maintain cooperative and collaborative relationships with stakeholders	2–5	3.5

(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 as 'very good'.

Appendix 4: Identified Actions in the 2018/19 Assessment

Retail Payment Systems

Identified action	Progress
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	Ongoing. The Bank continues to proactively engage with a wide range of industry participants and domestic and overseas regulators. Its staff held around 260 bilateral meetings with interested parties in 2019-20 on retail payments issues despite the disruption caused by the COVID-19 pandemic which saw the Review of Retail Payments Regulation formally paused for part of 2020.
Continue to engage with regulated entities and actively seek practical feedback on ways to minimise compliance costs and avoid unintended consequences of regulation	Ongoing. The Bank will continue to seek any feedback industry participants have for how compliance costs can be minimised and any policy implemented in the most streamlined way without any unintended consequences.
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	Ongoing. The Bank strives to produce clearly written materials suitable for a range of different interested parties and be available for discussions with external parties.
Continue to highlight strategic priorities and other emerging topics of interest to the Bank when engaging with stakeholders	Ongoing. The PSB Annual Report and other publications include coverage of strategic priorities, including a forward-looking dedicated chapter in the PSB Annual Report every second year. The Bank will be conscious to dedicate some time at stakeholder meetings to provide broader updates in addition to discussing the core agenda items.

Clearing and Settlement Facilities

Identified action	Progress
Maintain efforts to minimise 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 entities, where supported by their risk profile. The Bank revised the scope of assessments and deferred where appropriate in response to COVID-19 and the challenges faced by CS facilities at the time.
Continue efforts to improve coordination with overseas regulators and, in line with Bank policies, increase reliance on information provided by home regulators where possible	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. Responses to the survey questions recognised progress in this regard.
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.	Ongoing. Responses to the survey questions recognised efforts in this regard.
Explore options to enhance and streamline data collection processes.	Underway. The Bank is implementing a revised data collection for CS facilities which is intended to improve the quality and scope of data collected, while streamlining data collection processes.