

Accountability and Communication

The Payments System Board seeks to ensure a high degree of transparency and accountability around its actions through the Bank's communication program, which includes media releases, speeches, research publications, and community and industry liaison. The Bank also engages in various international forums relating to payment systems and financial market infrastructures (FIMs).

Relationship with Government and Reporting Obligations

As noted above, the responsibilities and powers of the Payments System Board are set out in four acts: the *Reserve Bank Act 1959*; the *Payment Systems (Regulation) Act 1998*; the *Payment Systems and Netting Act 1998*; and the *Corporations Act 2001*. The Board is afforded substantial independence from the Government in the way that it determines and implements the Bank's policies. However, as discussed in this chapter, there are a range of reporting obligations in addition to the Bank's own policies on transparency and communication that serve to ensure the accountability of the Board.

This report represents the primary accountability vehicle with respect to the Bank's payments system responsibilities. The House of Representatives Economics Committee has, in its Standing Orders, an obligation to review the annual reports of both the Reserve Bank and the Payments System Board. The committee holds twice-yearly public hearings at which the Bank presents an opening statement on the economy, financial markets and other matters – including payments system matters – pertaining to the Bank's operations, and responds to questions

from committee members. These hearings may include discussion of developments in the payments system and the Bank's payments system policy. The Bank periodically also makes submissions to parliamentary inquiries or other inquiries commissioned by the Government.

The broader accountability of the Bank includes its obligations under the *Public Governance, Performance and Accountability Act 2013*. The Bank's annual report and annual performance statement both cover aspects of the Bank's role in the payments system.

Communication

The Board seeks to provide a high degree of transparency about its activities, goals and decision-making processes, both for accountability and to promote a better understanding of the Bank's policies and decisions.² Consistent with its statutory obligations, the Bank consults widely and at length before undertaking any regulatory action; where required, the Bank also publishes a Regulation Impact Statement as part of communicating any regulatory decision made

² For a detailed list of publications, see 'The Board's Announcements and Reserve Bank Reports' p 78.



Meeting of the Payments System Board, 24 May 2019

by the Payments System Board. It remains open to discussions with any and all parties that may be affected by the Bank's regulatory actions.

Media releases around Board decisions

The Bank publishes a media release in the afternoon immediately following each Board meeting, outlining matters that were discussed by the Board and foreshadowing any forthcoming documents to be released by the Bank. Media releases also accompany any major announcements following decisions taken by the Board.

Speeches

During 2018/19, senior Bank staff gave a number of public speeches and participated in discussion panels on various payments system-related topics. Speeches covered topics including merchant payment costs, least-cost routing in retail payments, card fraud, trends in cash and cheques usage, resiliency of the payments system, modernising message standards and the New Payments Platform (NPP). Audio files and transcripts of these speeches

are published on the Bank's website to improve accountability and communication.

Research

The Bank's quarterly *Bulletin* contains analysis of a broad range of economic and financial issues, including payments system issues from time to time, as well as aspects of the Bank's operations. During the year in review, the *Bulletin* included articles on developments in crypto-assets, surcharging, the NPP, the demand for Australia's banknotes, and the availability of cash deposit and withdrawal services.

To supplement the Bank's research and policy work, statistics on retail payments are collected by the Bank on a monthly basis from financial institutions, card companies, and other payments system participants. The aggregated data on debit, credit and charge cards, ATM transactions, merchant fees, bulk electronic transfers, the NPP and cheques provide insights on how individuals and business make and receive payments. In 2018/19, the Bank significantly expanded the retail payments data that it publishes from

61 series to around 300 series, and published an article in the *Bulletin* which discusses the new data.

As well as articles in the *Bulletin*, the Bank occasionally publishes expanded analysis of payment system topics in Research Discussion Papers. In 2018/19, the Bank published a paper examining the financial costs and benefits of holding a credit card.

Online communication

The Bank publishes information in both electronic and hardcopy formats, though most access to information is online. The Bank's website contains a wide range of information relating to the Bank's payments system responsibilities.

Liaison Activity

The Bank engages with a wide range of stakeholders in Australia and overseas.

Domestic liaison

The Bank continued to engage extensively with a range of participants in the payments industry in 2018/19. In August 2018 and 2019, the Board held its annual meeting with members of the Australian Payments Council (APC).³ The most recent meeting included discussion of the APC's work on digital identity and of its Strategic Agenda that was published in June 2019 and which will guide its work over the coming years. The Board welcomed the progress the APC had made on developing a framework to support the development of interoperable digital identity services in Australia, and encouraged APC members to continue to collaborate on

the initiative as it has the potential to deliver significant security and efficiency benefits for the payments system and the economy more broadly. Engagement between the Board and the APC occurs pursuant to a Memorandum of Understanding (MOU) between the two organisations that was signed in 2015 and is published on the Bank's website.

In the retail payments area, Bank staff met with a wide range of stakeholders to discuss policy issues and market developments. In 2018/19, this stakeholder engagement included a number of public consultations. In November 2018, the Bank commenced a consultation on the functionality and access to the NPP, and published its conclusions in June. This consultation was undertaken with input and assistance from the Australian Competition and Consumer Commission (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. Bank staff also provided input and assistance to the Council of Financial Regulators' consultation on issues relevant to retail payments regulation as it relates to stored-value facilities.

Outside of formal public consultations, the Bank's meetings with stakeholders on retail payments issues over the past year have focused on accessibility for people with a vision impairment, ATMs, and the debit card market, including the industry's implementation of least-cost routing of contactless debit cards transactions. Bank staff have also engaged with stakeholders regarding their obligations under the Bank's card payments regulation. Another

³ The APC was established in 2014 as a strategic coordination body for the payments industry. Its members are senior executives from a range of payments organisations including financial institutions, card schemes, retail acquirers and other payment service providers, as well as AusPayNet and the Bank (in its role as provider of banking services to the Government). The Bank has responsibility for appointing a number of the APC members.

focus of the Bank's engagement with payments industry participants has been technology and innovation, especially in relation to the use of distributed-ledger technology in payments and payments-related fintech activity more broadly.

Bank staff meet regularly with senior staff of the Australian Payments Network (AusPayNet) to discuss industry developments, including around initiatives to reduce card fraud and AusPayNet's work program to support the APC. These meetings take place consistent with an agreement on liaison arrangements between the two organisations that is published on the Bank's website. The staff also regularly meet periodically with counterparts from a range of Government agencies, including the ACCC. An MOU between the ACCC and the Bank sets out an agreed basis for policy coordination, information sharing and liaison between the two agencies. This MOU was reviewed and updated in December 2018.⁴

The Bank was closely involved in the development of the NPP and remains very engaged even after its public launch in February 2018. The Bank built the Fast Settlement Service, which enables the settlement of NPP payments individually in real time. In addition, the RBA's Banking Department has been involved in the NPP as a direct participant and provides NPP services to its Government clients. The Head of Payments Settlements Department is a Bank-nominated member of the NPP Australia Ltd (NPPA) Board and the Bank also participates in the NPPA Board's management committees. Since the launch, staff from Payments Policy Department have established a regular liaison meeting with senior staff from NPPA to discuss developments in relation to the NPP, including new payment services that are being developed to utilise the NPP infrastructure and access

arrangements for new participants. In April, the Bank and NPPA entered into a MOU which formally sets out the regular liaison procedures and information-sharing arrangements between the two organisations.⁵ The MOU is consistent with arrangements for the Bank's involvement with the NPP that were approved by the Board in May 2018.

In the financial market infrastructure (FMI) area, the Bank meets regularly with each FMI it supervises. These meetings cover a wide range of topics including developments in financial and operational risk management. As the Bank and the Australian Securities and Investments Commission (ASIC) have complementary regulatory responsibilities for the supervision of clearing and settlement (CS) facilities, the two agencies often coordinate their liaison.

As described in other chapters of this report, the Bank continued to work closely with other agencies of the CFR (and where relevant, the ACCC) on a number of policy issues, including FMI resolution, competition in clearing and settlement of equities as well as review of the regulatory framework for stored-value facilities. The CFR agencies, along with the Australian Transaction Reports and Analysis Centre (AUSTRAC), also participate in a working group considering the implications of distributed ledger technology for the financial system and regulation.

Staff also attend, in some cases as speakers or panellists, various conferences and seminars on issues related to payments and market infrastructure.

Payments Consultation Group

The Bank established the Payments Consultation Group in 2014, with the aim of providing a more

⁴ See <<https://www.rba.gov.au/payments-and-infrastructure/payments-system-regulation/mou/accc-and-the-rba/>>.

⁵ See <<https://www.rba.gov.au/payments-and-infrastructure/payments-system-regulation/npp-mou.html>>.

structured mechanism for users of the payments system (consumers, merchants, businesses and Government agencies) to express their views on payments system issues as an input to the policy formulation process. The Payments Consultation Group helps to keep the staff and Board well informed of end-user needs and views, as input to the Bank's interactions with the APC and its other policy work.

The Payments Consultation Group met twice in 2018/19 and discussed a range of topics including the provision of least-cost routing functionality to merchants, the NPP, buy-now pay-later (BNPL) payment facilities, operational incidents, accessibility issues for retail payment systems, and other payments innovations and trends. The Board appreciates the valuable feedback provided by the participants and their willingness to engage in this process.

International engagement

The Bank is a member of the Committee on Payments and Market Infrastructures (CPMI), which is hosted by the Bank for International Settlements and serves as a forum for central banks to monitor and analyse developments in payment, clearing and settlement infrastructures and sets international standards in this area. Joint working groups of the CPMI and the International Organization of Securities Commissions (IOSCO) bring together members of these two bodies to coordinate policy work on the regulation and oversight of FMs.

In addition to participating in the CPMI, senior staff from Payments Policy Department are members of the CPMI-IOSCO Steering Group, CPMI-IOSCO Implementation Monitoring Standing Group, and CPMI-IOSCO Policy Standing Group. An officer in Payments Policy Department is also contributing to the work on enhancing resolution arrangements for central counterparties, which is being led by

a working group under the Financial Stability Board Resolution Steering Group. For more details on the Bank's involvement in, and other recent international work on, FMs, see the Policy Development section in the chapter on 'Oversight, Supervision and Regulation of Financial Market Infrastructures'.

The Bank is also a member of the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) Working Group on Payments and Market Infrastructures (WGPMI; formerly known as the Working Group on Payment and Settlement Systems). This group is a regional forum for sharing information and experiences relating to the development, oversight and regulation of retail payment systems and FMs. The group discussed a range of issues over the year in review, including: the application of new technologies and other enhancements to FMs, particularly those focused on building resilience; the development of fast retail payment systems and other efforts to facilitate the shift towards electronic payments; the emergence of crypto-asset markets; and efforts to promote fintech development. A study group of the WGPMI has also been examining the development and impact of various digital innovations on financial systems and central banks in the EMEAP region. The areas of focus for this group have included payments-related fintech, distributed-ledger technology, crypto-assets and central bank digital currencies.

The Bank also participates in several multilateral and bilateral arrangements to support its oversight of overseas-based FMs, such as CLS Bank International, LCH Limited and CME Inc.

Regulator Performance Framework

The Bank adheres to the Australian Government's Regulator Performance Framework (RPF), which

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 RPF requires the Bank to measure and report on its performance against six key indicators that articulate the Government's expectations for regulator performance.

The Bank's fourth annual self-assessment of its performance against these indicators is underway. Self-assessments are conducted in close consultation with the regulated industry. The Bank, in consultation with the entities it regulates, has developed two sets of metrics to allow assessment against the indicators – one focusing on its regulation of CS facilities and the other on its regulation of retail payment systems. Each year, regulated entities are asked to respond to a survey that seeks their feedback on these metrics and on the Bank's regulatory performance more broadly. This year, the Bank sought feedback from all licensed CS facilities, designated card schemes and a sample of card issuers and acquirers. This is the first time that the Bank has sought feedback from card issuers, reflecting new regulatory requirements in Standard No 1 of 2016 and Standard No 2 of 2016.

The Bank appreciates the feedback that was provided by the respondents to the 2019 survey and will consider how best to incorporate and respond to that feedback in its self-assessment. Regulated entities will also be given the opportunity to provide feedback on the Bank's draft self-assessment before it is finalised. The self-assessment will then be provided to the Minister and published on the Bank's website by the end of 2019.