

Accountability and Communication

The Reserve Bank seeks to ensure a high degree of transparency and accountability around its actions through its communication program, which includes media releases, speeches, research publications, and community and industry liaison.

Relationship with Government and Reporting Obligations

As noted above, the responsibilities 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 and the Bank's own policies on transparency and communication that serve to ensure the accountability of the Board. Looking ahead, it is likely that the government will also set out a Statement of Expectations for the Board and that the Board will respond with a Statement of Intent regarding its policies and procedures.

The broader accountability of the Bank includes its obligations under the *Public Governance, Performance and Accountability Act 2013*. The Bank's annual report and the annual performance statement both cover aspects of the Bank's role in the payments system.²

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. For example, in the past year the Bank made a submission to the Senate Economics References Committee Inquiry into Matters Relating to Credit Card Interest Rates and senior staff appeared before a hearing of that Committee.

Communication

The Bank seeks to ensure a high degree of transparency about its activities, goals and decision-making processes, both for accountability and to promote a better understanding of the

² Published as a separate chapter in the *Reserve Bank of Australia Annual Report 2016*.

Bank's policies and decisions.³ 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 by the Payments System Board. It also remains open to discussions with any and all parties that may be affected by the Bank's regulatory actions.

Media releases around Board decisions

In the days or weeks following Board meetings, the Bank makes announcements of major decisions taken by the Board. In 2015/16 there were media releases on: the signing of the Memorandum of Understanding with the Australian Payments Council and the revocation of the Access Regime and designation of eftpos in August 2015; the designation of a number of payment card systems in October 2015; the consultation paper on changes to the Bank's standards for card payment systems in December 2015; and the conclusions of the Review of Card Payments Regulation in May 2016. In addition, starting in November 2015, immediately following Board meetings the Bank has published a media release outlining matters that were discussed by the Board and foreshadowing any forthcoming documents to be released by the Bank.

Speeches

During 2015/16, senior Bank staff gave a number of public speeches and presentations on payments system-specific topics. Speeches covered topics such as the transition to central clearing of over-the-counter (OTC) derivatives in Australia, credit card interest rates, the Bank's Cards Payments Review and the ongoing evolution of the Australian payments system.

Audio files and transcripts of these speeches are published on the Bank's website to improve accountability and communication.

Publications with other regulatory entities

During the year in review, the Bank also produced a number of publications in conjunction with other regulatory entities constituting the Council of Financial Regulators (CFR), the coordinating body for Australia's main financial regulatory agencies. These covered topics including competition in clearing Australian cash equities, the resolution regime for financial market infrastructures (FMIs), the Australian licensing regime for overseas clearing and settlement facilities, and the Australian OTC derivatives market.

Research

The Bank's quarterly *Bulletin* contains analysis of a broad range of economic and financial issues, including payments system developments from time to time, as well as aspects of the Bank's operations. During the year in review, the *Bulletin* included an article exploring developments in the ATM system since the Bank's 2009 reforms and another comparing the different risks and regulations applying to central counterparties (CCPs) and banks. The Bank also disseminates the outcome of payments system research work to the public for transparency and educational purposes. In October 2015, the Bank published a conclusions paper that evaluated the costs and benefits of the central clearing of repos in Australia following the conclusion of the stakeholder consultation process.

To supplement the Bank's research and policy work, statistics on retail payments are collected by the Bank on a monthly basis from most financial institutions (banks, building societies, credit unions, card companies) and some other payments system participants. The collected

³ For a detailed list of publications, see 'The Board's Announcements and Reserve Bank Reports' (pp 69–70).

data cover cheques and bulk electronic transfers as well as debit, credit and charge cards, and are made available on the Bank's website each month.

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 policy. The material on payments and financial market infrastructure attracted over 600 000 page views in 2015/16.

Liaison Activity

The Bank engages with a wide range of stakeholders in Australia and overseas. Domestically, in 2015/16 this included liaison on retail payments issues and in particular the Review of Card Payments Regulation, involvement in the New Payments Platform (NPP) and close interaction with the CFR. Internationally, the Bank was represented on a number of forums, including the Committee on Payments and Market Infrastructures (CPMI).

Liaison with industry

The Bank engaged extensively with industry in 2015/16. In August 2015, the Board had its inaugural meeting with the members of the Australian Payments Council.

On the retail payments front, Bank staff met with a wide range of stakeholders as part of the Review of Card Payments Regulation, following the receipt of submissions to its Consultation Paper in December 2015. The Bank also met with representatives of card schemes, banks and other financial institutions, payments technology companies, merchants and merchant groups, and consumer organisations and academics.

Bank staff meet regularly with senior staff of the Australian Payments Clearing Association (APCA) and have entered into an agreement on liaison arrangements for these meetings, published on the Bank's website. The staff also meet periodically with counterparts from the Australian Competition and Consumer Commission (ACCC) and the Australian Treasury. In particular, there was close coordination between Bank, ACCC and Treasury staff to ensure the effectiveness of new surcharging arrangements.

The Bank has continued to be extensively involved with the development of the NPP. The Heads of Payment Settlements and Payments Policy Departments attend the meetings of the NPP Australia Board – one as a voting member and the other as an observer. In addition, Bank staff contribute to a number of working groups and subcommittees responsible for developing and delivering the NPP.

As described in other chapters of this report, the Bank continued to work closely with other agencies of the CFRs on a number of policy issues, including the formation of a joint working group with CFR agencies and the Australian Transaction Reports and Analysis Centre (AUSTRAC) to consider the implications of distributed ledger technology. These issues also required considerable liaison with industry participants, particularly in relation to consultation processes on competition in cash equities clearing and settlement, FMI resolution, the licensing regime for overseas clearing and settlement facilities, and mandatory clearing of OTC derivatives.

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

International engagement

Payments Policy Department represents the Bank on the CPMI, which serves as a forum for central banks to monitor and analyse developments in payment, clearing and settlement infrastructures and set standards for their design and operation. The Bank is also a member of the CPMI-IOSCO Steering Group, which brings together members of both CPMI and the International Organization of Securities Commission (IOSCO) to advance policy work on the regulation and oversight of FMI, as well as the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) Working Group on Payment and Settlement Systems. Payments Policy Department has also recently joined the Financial Stability Board's Financial Innovation Network, which plays a role in monitoring technology-driven financial innovation.

The Bank is contributing to two of the workstreams under the CCP Workplan (described in the chapter on 'Regulatory Developments in Financial Market Infrastructures'). A senior officer in Payments Policy Department is a member of CPMI-IOSCO's Policy Standing Group (PSG), which is leading the work on CCP resilience and recovery. An officer in Payments Policy Department is also contributing to the work on enhancing resolution arrangements for CCPs, which is being led by a working group under the Financial Stability Board's (FSB) Resolution Steering Group.

Senior officers in Payments Policy Department participate in a number of other workstreams governed by the CPMI and the CPMI-IOSCO Steering Group. These include:

- the CPMI-IOSCO Implementation Monitoring Standing Group (IMSG), which is monitoring the international implementation of the Principles for Financial Market Infrastructure (PFMIs) (see the chapter on 'Regulatory

Developments in Financial Market Infrastructures' for details)⁴

- the Working Group on Cyber Resilience, which recently published guidance to assist FMIs and their overseers in enhancing the cyber resilience of FMIs⁵
- the CPMI Working Group on Retail Payments, which released a report on digital currencies in November 2015, and is working on new developments in the field of retail payments, including faster payments⁶
- the CPMI Working Group on Digital Innovations, which is studying the implications of distributed ledger technology for payments, trading, clearing and settlement.

Finally, the Bank has a number of bilateral cooperative arrangements with overseas supervisory authorities for FMIs and also continues to be engaged in a number of international multilateral cooperative arrangements. These multilateral arrangements include:

- The Bank is a member of a global supervisory college arrangement for LCH.Clearnet Limited, as well as a member of the LCH.Clearnet Ltd Crisis Management Group (CMG), both chaired by the Bank of England.
- The Bank participates in an arrangement led by the Federal Reserve Bank of New York to oversee CLS Bank International, which provides a settlement service for foreign exchange transactions.

4 A senior officer in Payments Policy Department has co-chaired this group.

5 Available at <<http://www.bis.org/cpmi/publ/d146.htm>>.

6 Committee on Payments and Market Infrastructures (2015), *Digital Currencies*, Basel, November. Available at <<http://www.bis.org/cpmi/publ/d137.pdf>>.

- The Bank also participates in the SWIFT Oversight Forum, chaired by the National Bank of Belgium.

Regulator Performance Framework

In 2014, the Australian Government released its 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) to articulate the government's expectations of regulator performance.

Regulators, including the Reserve Bank, agreed metrics for measurement of their performance against the KPIs with the government in mid 2015 and will complete their first self-assessments for the 2015/16 financial year. These will be provided to the Minister and published by the end of 2016.

Self-assessments are conducted in close consultation with the regulated industry. In the Bank's case, the metrics used were determined with input from the organisations regulated by the Bank. Many of those metrics also rely on direct input from regulated entities through specially designed surveys. Finally, regulated entities will also be asked to provide feedback on draft assessments before they are finalised.

While the Bank's final, externally validated assessment will not be available until later in 2016, a summary of stakeholder input for the 2015/16 year can be provided. Given that the Bank's functions of regulation of retail payment systems and oversight of FMI are performed very differently, separate assessments will be prepared for each and stakeholder feedback is provided separately below.

Feedback from regulated entities

Regulated payment schemes saw the Bank's communication as a strength, rating highly both its consultation during the development of regulation and its responsiveness to requests from regulated entities. The adequacy of guidance material provided was also viewed positively, though schemes suggested that additional guidance would be welcome, particularly more 'plain English' material. The schemes, however, did not think the Bank's consultative processes fully translated into its understanding of the environment within which the schemes operate. Comments also suggested that the Bank could seek to streamline its regulatory processes where issues were time sensitive.

Direct compliance costs were reported as modest; on average, schemes indicated that they spent 42 person hours demonstrating compliance with Reserve Bank regulation during the year and 77 person hours supporting the Bank's monitoring activities. Data requests by the Bank were viewed as reasonable, as in most cases were other *ad hoc* requests for information, though one scheme viewed the timelines for the latter as sometimes unreasonable.

Schemes provided some useful suggestions on how the Bank could streamline consultation and compliance by greater use of standardised and electronic processes. The Bank will consider these suggestions.

Regulated CS facilities were unanimous in describing their relationship with the Bank as cooperative and collaborative. They also viewed the Bank's communication practices favourably – describing them variously as clear, concise, timely and proactive – and considered the Bank to be open and transparent in its dealings. The Bank's coordination with other domestic regulators

was rated positively, with one facility noting that this had improved in recent years. However, one facility argued that the Bank did not sufficiently coordinate with, or rely upon, relevant overseas regulators. Some responses also noted that the scale of the Bank's information requests exceeded those of other regulators or had increased over time. Staff turnover was identified as sometimes leading to inconsistencies in approach.

CS facilities offered a number of specific suggestions for improving engagement, including in relation to the structure of regular meetings, greater transparency of timelines and establishing a single point of contact for information requests. Some of these changes are already underway.

The Bank appreciates the feedback that has been provided by payment schemes and CS facilities and will consider how best to respond as it finalises its self-assessment under the Framework.