

# Liaison Activity

The Reserve Bank engages with a wide range of stakeholders in Australia and overseas. Domestically, in 2014/15, this included liaison on retail payments issues, involvement in the New Payments Platform and close interaction with the Council of Financial Regulators. Internationally, the Reserve Bank was represented on a number of forums, including the Committee on Payments and Market Infrastructures.

## Liaison with Industry

The Reserve Bank engaged extensively with industry in 2014/15. On the retail payments front, Bank staff met with a wide range of stakeholders following submissions to the Issues Paper released as part of the Review of Card Payments Regulation. The Bank also hosted an industry roundtable to discuss aspects of the Issues Paper, moderated by the Board's Deputy Chair. The Bank also met with representatives of card schemes, banks and other financial institutions, payments technology companies, industry and consumer organisations and academics.

Bank staff meet regularly with senior staff of the Australian Payments Clearing Association and have established liaison arrangements for these meetings – a new liaison agreement was finalised during 2014/15 and is published on the Bank's website. The staff also meet periodically with counterparts from the Australian Competition and Consumer Commission and the Australian Treasury.

The Bank has continued to be extensively involved with the development of the New Payments Platform (NPP). Bank staff have been participating on the numerous design authorities and working groups, along with other participants in the NPP

program. 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.

As described in 'Regulatory Developments in Financial Market Infrastructures', the Bank continued to work closely with other agencies of the Council of Financial Regulators on a number of financial market infrastructure (FMI)-related policy workstreams. These involved 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 (see 'Operating in Australia'), and central clearing of repos.

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 Reserve Bank on the Committee on Payments and Market Infrastructures (CPMI), which serves as a forum for central banks to monitor and analyse developments in payment, clearing and settlement

infrastructures and set standards for them. The Bank is also a member of the CPMI-IOSCO Steering Group, which brings together members of both the CPMI and the International Organization of Securities Commissions (IOSCO) to advance policy work on the regulation and oversight of FMIs, as well as the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) Working Group on Payment and Settlement Systems.

Given the growing use of central counterparties (CCPs), CPMI and IOSCO, in consultation with the Basel Committee on Banking Supervision, the Financial Stability Board's (FSB) Resolution Steering Group (ReSG) and the FSBs Standing Committee on Supervisory and Regulatory Cooperation has developed a work plan to promote CCP resilience, recovery and resolution.<sup>32</sup> CPMI-IOSCO is leading the work on CCP resilience and recovery planning, with its Policy Standing Group (PSG) conducting a stocktake of existing CCP practices. The goal of this stocktake is to understand CCPs' approaches and inform analysis of whether additional guidance to the standards in these areas is needed. A senior officer in Payments Policy Department is a member of the PSG. An officer in Payments Policy Department is also contributing to the work on resolution of CCPs, which is being led by the ReSG. This work follows on from the FSB's October 2014 re-issue of the Key Attributes of Effective Resolution Regime for Financial Institutes with annexes that provide sector-specific guidance on resolution, including one for FMIs.

Payments Policy Department staff participate in a number of other workstreams governed by the CPMI and the CPMI-IOSCO Steering Group. A senior officer in Payments Policy Department co-chairs the CPMI-IOSCO Implementation Monitoring Standing Group (IMSG), which is monitoring the international implementation of the Principles for Financial Market Infrastructures (PFMIs). The third update to

the self-assessments on progress towards adopting the PFMIs was published in June. In February, the IMSG's assessments of the regulatory or oversight framework applied to systemically important CCPs and trade repositories in the European Union, Japan and the United States were published. A similar assessment of Australia is currently in progress. A peer review assessing the extent to which relevant authorities, including the Bank, are observing the Responsibilities associated with the PFMIs in their regulation, supervision and oversight of FMIs is also under way. This is expected to be published by the end of 2015. Future work will assess the consistency in outcomes achieved by FMIs' implementation of the PFMIs, beginning with an assessment of CCPs' implementation measures in the area of financial risk management.<sup>33</sup>

Another prominent focus for CPMI and IOSCO is cyber security. In 2014 a Payments Policy Department officer contributed to a CPMI report, published in November, on the current cyber risks faced by FMIs and their level of readiness to deal effectively with worst-case scenarios. Following on from this, a CPMI-IOSCO group has been established to develop guidance to assist FMIs and their overseers in enhancing the cyber resilience of FMIs.

Payments Policy Department staff have also contributed to a number of reports published by CPMI and IOSCO during the year in review. One such report is the guidance on how FMIs should develop plans to enable them to recover from extreme circumstances that threaten their viability, which was finalised in October 2014. Another is a set of public quantitative disclosure standards for CCPs, which were published in February 2015 and are intended to assist participants and other stakeholders in understanding and assessing the risk characteristics of CCPs. Payments Policy Department staff also contributed to two other analytical reports published by CPMI in late 2014 on

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<sup>32</sup> The work plan, including an update on implementation as of September 2015 are available at <<http://www.bis.org/cpmi/publ/d134.htm>>.

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<sup>33</sup> The launch of this first assessment was announced in a press release by CPMI-IOSCO on 9 July 2015 available at <<http://www.bis.org/press/p150709.htm>>.

developments in collateral management services and non-banks in retail payments. The latter is the latest output from a working group that conducts research on current issues in retail payment systems.

Finally, in addition to new cooperation arrangements established with both the European Securities and Markets Authority and the Commodity Futures Trading Commission (see 'Regulatory Developments in Financial Market Infrastructures'), the Reserve Bank continues to be engaged in a number of other international cooperative arrangements for oversight and supervision of FMIs.

- The Bank has for some time participated 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. The Bank also

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

- The Bank is also a member of a global college arrangement for LCH.Clearnet Limited's SwapClear service, chaired by the Bank of England. This is supplemented by bilateral engagement with the Bank of England, which is governed by a recently refreshed memorandum of understanding (MoU).
- Finally, further to the conclusion of an MoU in August 2014, the Bank has established cooperation arrangements with the Reserve Bank of New Zealand covering cooperation and information sharing in relation to cross-border CCPs in which the central banks have a joint interest. The focus of this cooperation is currently ASX Clear (Futures) Pty Limited, which provides a clearing service for New Zealand dollar interest rate futures contracts.

