

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 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. For example, in 2017/18 the Bank made submissions to the Productivity Commission's Inquiry into Competition in the Australian Financial System and the Government's Review into Open Banking in Australia.

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 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 Bank's policies and decisions.² Consistent with its statutory

² For a detailed list of publications, see 'The Board's Announcements and Reserve Bank Reports' p75.



Meeting of the Payments System Board, 24 August 2018

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 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 2017/18, 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 and least-cost routing

in retail payments, the development of the New Payments Platform (NPP), cryptocurrencies and distributed ledger technology and the merits of a digital Australian dollar. 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 publications in conjunction with other members of the Council of Financial Regulators (CFR), the coordinating body for Australia's main financial regulatory agencies. These included developing a set of minimum conditions for safe and effective competition in cash equity settlement, as well as revisions to the minimum conditions for cash equity clearing and the regulatory expectations applicable to the ASX Group's conduct in operating cash equity clearing and settlement services until such time as a committed competitor emerged.³

³ See <<https://www.cfr.gov.au/media-releases/2017/mr-17-01.html>>

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 the ATM industry, central counterparty margin frameworks and over-the-counter derivatives using new trade repository data.

As well as the *Bulletin*, the Bank occasionally publishes expanded analysis of payment system topics in Research Discussion Papers. In 2017/18, the Bank published a paper examining Australian consumer payments behaviour using data from its 2016 Consumer Payments Survey.

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 collected data cover debit, credit and charge cards, ATM transactions, merchant fees, bulk electronic transfers, the NPP and cheques, and aggregate series are published on the Bank's website each month. In 2017/18, the Bank completed a multi-year review that resulted in some changes to the content of this statistical collection and the reporting entities. The review was aimed at enhancing the relevance of the data collected and reducing industry reporting burden. As part of the project, the Bank developed a new and more secure method for reporting entities to provide their data to the Bank.

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 2017/18. In August 2017, the Board held its annual meeting with members of the Australian Payments Council, which included discussion of the Council's progress against the initiatives it had outlined in its 2015 Australian Payments Plan.⁴ One particular area of focus was the Council's work on developing a framework for portable digital identity in Australia, which the Board believes will deliver significant security and efficiency benefits for the payments system and the economy more broadly. Engagement between the Board and the Council occurs pursuant to a memorandum of understanding 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 range of stakeholders to discuss policy issues and market development. Discussions on policy issues over the past year have focused on ATMs and least-cost routing of transactions on contactless debit cards, among other issues. Following the conclusion of the Bank's Review of Card Payments Regulation in May 2016, the staff have continued to engage closely with schemes and financial institutions around

⁴ The Australian Payments Council 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 Council members.

the implementation of the new standards and reporting requirements introduced by the new standards. Another focus of the Bank's engagement with payments industry participants in 2017/18 was on payments technology and innovation, especially in relation to digital currencies, the use of distributed ledger technology 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 discussions around initiatives to reduce card fraud and AusPayNet's work program to support the Australian Payments Council. 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 meet periodically with counterparts from a range of government agencies, including the Australian Competition and Consumer Commission (ACCC) in relation to the surcharging framework. In 2017/18, a number of Bank staff participated in the payments-related workstreams of the Government's Black Economy Taskforce, the final report from which was published in October 2017.

The Bank was closely involved in the development of the NPP and remains very engaged even after its public launch in February. 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 currently 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 during the NPP development phase, the Head of Payments Policy Department also participated as an

observer. 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. The Bank and NPPA are currently developing a memorandum of understanding (MoU), which will formally define the regular liaison procedures and information-sharing arrangements between the two organisations, consistent with arrangements for the Bank's involvement with the NPP that were approved by the Board in May. The finalised MoU will be made available on the Bank's website.

In the FMI area, the Bank meets at least quarterly with each FMI. 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, where relevant, the two agencies 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 purchased payment facilities. The CFR agencies, along with the Australian Transaction Reports and Analysis Centre (AUSTRAC), also participated in a working group considering the implications of distributed ledger technology for the financial system and regulation.

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

Payments Consultation Group

The Bank established the Payments Consultation Group in 2014, with the aim of providing a more 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 payments policy formulation process. The Payments Consultation Group helps to ensure that the Board is well informed of end-user needs and views, as input to its interactions with the Australian Payments Council and its other policy work.

The Payments Consultation Group met twice in 2017/18 and discussed a range of topics including the provision of least-cost routing functionality to merchants, card surcharging, the NPP, card payment fraud, distributed ledger technology and other payments innovations, and open banking initiatives. 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 FMIs.

Senior staff from Payments Policy Department attend CPMI meetings and also contributed to CPMI reports, including on central bank digital currencies (produced with the BIS Markets Committee) and wholesale payments security. Staff are also 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 recent international work on FMIs, 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 FMIs. The group discussed a range of issues over the year in review, including: the application of new technologies and other enhancements to FMIs, 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, virtual currencies and central bank digital currencies.

The Bank also participates in several multilateral and bilateral arrangements to support its oversight of overseas-based FMI, 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 third 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 clearing and settlement 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 acquirers. The latter group was included for the first time this year, reflecting the introduction of regulatory requirements for acquirers in Standard No 3 of 2016. From next year, the Bank will also seek feedback from a

sample of 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 2018 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 2018.