

# Governor's Foreword

The payments system is evolving rapidly. Much of the work of the Payments System Board over the past year has focused on supporting this evolution and ensuring that the regulatory environment supports innovation as well as the safety and security of the Australian payments system.

Australian consumers and businesses continue to shift to electronic payments, with many people now using digital wallets to make contactless card payments. More account-to-account transfers are also occurring in real time using Australia's fast payment system and further development of this system is underway. In particular, the recently launched PayTo service will open up opportunities for improved payment services, including through new ways for third parties to initiate payments for consumers and businesses.

The Reserve Bank has also been working with Treasury to modernise the regulatory framework for payments in Australia, following the completion of the Treasury Payments System Review in 2021. This review recommended some changes to the Bank's regulatory powers and new legislation to deal with the increasing complexity of Australia's payments system. One important area of focus is the regulation of stablecoins, which have the potential for use as a means of payment. The Bank is working with the other members of the Council of Financial Regulators to develop an appropriate regulatory framework for stablecoins.

During the year, the Board also completed a major public review of the Bank's existing retail

payments regulations. This review focused on competition in the debit card market, the ability of merchants to choose the lowest-cost payment channel, and the 'no-surcharge' rules of 'buy now, pay later' (BNPL) providers.

The Reserve Bank continues to support the international effort to improve the efficiency and lower the cost of cross-border payments. This is an area where significant work is still required to deliver better outcomes for consumers. The Bank is working on elements of the G20 roadmap, including adoption of the international ISO 20022 standard for payment messages and the use of fast payments systems to enable faster and safer cross-border payments.

Another continuing focus area is the ongoing transition away from banknotes as a means of payment, with this transition placing pressure on the wholesale cash distribution system. During the year, the Bank conducted a public review into the distribution system and has proposed some changes to improve the efficiency and sustainability of the system. It is important that the community retains ready access to cash deposit and withdrawal services.

There is growing public interest in the possibility of new forms of money, including central bank digital currencies (CBDCs). The Bank's staff are working collaboratively with industry partners and other central banks on the underlying technologies and related governance issues. We are undertaking a major project with the Digital Finance Cooperative Research Centre to explore the use cases for CBDC using a limited-scale

CBDC pilot. It remains to be seen how new forms of money will develop, but there is potential for significant improvements in various wholesale payment processes.

The Board continues to devote significant resources to the supervision of Australia's financial market infrastructures. This infrastructure has coped well with the volatility in financial markets over the past year. An important area of focus is cyber resilience, which is an increasing concern. Another focus area has been the delays to the ASX's planned replacement of the CHES system for cash equities. The CHES system is critical for Australia's financial markets. The Board is disappointed with the delays and the Bank staff are in close consultation with the ASX.

The Reserve Bank's staff have continued to support the Board with a high degree of professionalism and dedication. The Payments System Board joins me in thanking the staff for their work and for their ongoing contribution to the efficiency, competitiveness and safety of Australia's payments system.



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Governor and Chair,  
Payments System Board  
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