

# 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 statutes: 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.

Under the Reserve Bank Act, the Payments System Board is required to:

- inform the Government, from time to time, of the Bank's payments system policy (section 11(1)(b)); and
- prepare and give to the Treasurer a report that covers certain matters relating to the standards that the Bank determines under section 827D of the *Corporations Act 2001* and developments in the clearing and settlement industry that are relevant to Australia's financial stability (section 25M(1)).

This report addresses these requirements and is 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.



Meeting of the Payments System Board, 22 May 2020

## 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.<sup>2</sup> 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. The Bank remains open to discussions with any and all parties that may be affected by its 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

<sup>2</sup> For a detailed list of publications, see 'The Board's Announcements and Reserve Bank Reports' p 76.

Bank. Media releases also accompany any major announcements following decisions taken by the Board.

### Speeches

During 2019/20, senior Bank staff gave a number of public speeches and participated in discussion panels on various payments system-related topics. Speeches and discussion panels covered topics including the impact of the COVID-19 pandemic on retail payments, the requirements of a payments system suited for the digital economy and the Bank's Review of Retail Payments Regulation. Audio files and transcripts of these speeches are published on the Bank's website to improve accountability and communication.

### Submissions and parliamentary appearances

The Bank made submissions to parliamentary and federal government bodies relating to various payments system-related topics during 2019/20. These included submissions to the Senate Select Committee on Financial Technology and

Regulatory Technology and to the Treasury's Inquiry into Future Directions for the Consumer Data Right. Bank staff also appeared before the Senate Economics Legislation Committee on the Currency (Restrictions on the Use of Cash) Bill 2019 and before the Senate Select Committee on Financial Technology and Regulatory Technology. Copies of the Bank's submissions and the opening statement to the Senate Economics Legislation Committee can be found on the Bank's website.

## Research

The Bank's quarterly *Bulletin* contains analysis of a broad range of economic and financial issues, including payments system issues, as well as aspects of the Bank's operations. During the year in review, the *Bulletin* included articles on recent trends in consumer payments based on the results from the latest Consumer Payments Survey, cash use, the New Payments Platform (NPP) and the cost of card payments for merchants.

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 businesses make and receive payments. These aggregated data are published as part of the statistical tables on the Bank's website.

## 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 2019/20. In August 2019 and August 2020, the Board held its annual meeting with members of the Australian Payments Council (APC).<sup>3</sup> The meeting included discussion of the APC's progress with its strategic focus areas relating to improving systemic resilience of the payments system and combating financial crime. It also covered the industry's work on the TrustID digital identity framework and developments in the digital identity market more generally, as well as industry plans for the future of the cheques system. 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 payments area, Bank staff met with a wide range of stakeholders to discuss policy issues and market developments. In 2019/20, this stakeholder engagement included a number of public consultations. In November, the Bank commenced consultation on its comprehensive Review of Retail Payments Regulation by releasing an Issues Paper. Although this Review has since been formally delayed in light of the COVID-19 pandemic, the staff have continued to progress aspects of the Review and the expectation is that it will be completed in 2021. In February, the Bank published the

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<sup>3</sup> 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 the Australian Payments Network (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.

conclusions from its consultation on ISO 20022 migration for the Australian payments system. This consultation was undertaken jointly with the APC.

Outside of formal public consultations, the Bank's meetings with stakeholders on retail payments issues over the past year have focused on the impacts of the COVID-19 pandemic on the payments system, cross-border payments, ATMs, the transparency of payments costs to merchants and competition in the debit card market, including the industry's implementation of least-cost routing (LCR) of contactless debit card transactions. Bank staff have also engaged with stakeholders regarding their obligations under the Bank's card payments regulations. Another focus of the Bank's engagement with payments industry participants has been on technology and innovation, especially in relation to buy now, pay later (BNPL) services, digital currencies and payments-related financial technology (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 meet periodically with counterparts from a range of government agencies, including the Australian Competition and Consumer Commission (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.

The Bank continues to be involved in the NPP that is owned and operated by NPP Australia Ltd (NPPA). The Bank operates the Fast Settlement Service, which enables the settlement of NPP

payments individually in real time and its Banking Department is a direct participant in the NPP, providing payments services using the NPP to its government clients. The Head of Payments Settlements Department is a Bank appointed member of the NPPA Board and the Bank also participates in some NPPA committees. Staff from Payments Policy Department hold regular liaison meetings 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 have in place an MOU that formally sets out the arrangements for how different parts of the Bank interact with NPPA, including sharing of information. The arrangements are designed to address any actual or perceived conflicts of interest between the duties of the Bank as regulator of the payments system and its involvement in the NPP from an operational perspective.<sup>4</sup> The MOU is consistent with arrangements for the Bank's involvement with the NPP approved by the Board.

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 Australian Securities and Investments Commission (ASIC) and the Bank have complementary regulatory responsibilities for the supervision of clearing and settlement (CS) facilities, the two agencies often coordinate their liaison with these facilities. ASIC and the Bank also liaise with market participants on a range of topics related to clearing and settlement.

As described in other chapters of this report, the Bank continued to work closely with other agencies of the Council of Financial

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<sup>4</sup> See <<https://www.rba.gov.au/payments-and-infrastructure/payments-system-regulation/npp-mou.html>>.

Regulators (CFR) (and, where relevant, the ACCC) on a number of policy issues, including proposals to enhance the regulatory regime for FMLs (including the introduction of a crisis management regime for CS facilities), competition in clearing and settlement of equities, cyber security, as well as a review of the regulatory framework for stored-value facilities. The CFR agencies, along with the Australian Transaction Reports and Analysis Centre (AUSTRAC), participate in a working group considering the implications of distributed ledger technology and crypto-assets for the financial system and regulation. The Bank, ASIC and Treasury also recently established a working group with the ACCC and the Australian Registrars' National Electronic Conveyancing Council (ARNECC) to review elements of the regulatory framework for e-conveyancing systems, with the aim of identifying enhancements that would promote consumer protection, resilience and competition in the e-conveyancing market.

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 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 2019/20 and discussed a range of topics including trends in consumer payments, the impact of COVID-19 on the retail payments system, cross-border payments, access to cash services and the Review of Retail Payments Regulation. 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. It has members from 28 central banks.

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 FMLs. Staff from Payments Policy Department are members of the CPMI–IOSCO Steering Group, the CPMI–IOSCO Implementation Monitoring Standing Group, and the CPMI–IOSCO Policy Standing Group. Bank staff participate in a range of other cooperative workstreams including the CPMI's Real-time Gross Settlement Working Group and the CPMI's Cross-Border Payments Taskforce, which is assisting the Financial Stability Board (FSB) to deliver a roadmap to enhance cross-border payments. Staff are also assisting with international work on wholesale payments security and enhancing resolution arrangements for central counterparties.

CPMI (and IOSCO) have joined other financial policymakers and international standard setters in engaging industry in discussing international

policy responses to COVID-19. The CPMI has been monitoring the impact on FMI of the COVID-19 pandemic and the market volatility over the first quarter of 2020. The CPMI and the CPMI–IOSCO Steering Group have been meeting more regularly to discuss these matters and to consider the forward-looking work plan; this includes the reprioritisation of work items to focus on some of the short-term risks and policy implications and reduce lower-priority demands on industry stakeholders. For more details on the Bank’s involvement in, and other recent international work on, FMIs, see the Policy Development section in ‘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). 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 during the year in review, including: the development of fast retail payment systems and other efforts to facilitate the shift towards electronic payments; regulatory approaches for addressing risks posed by crypto-assets and global stablecoin arrangements; research into central bank digital currencies; measures to enhance the security and resilience of FMIs; and oversight approaches to FMIs. The group also embarked on a review of developments in cross-border retail payments in the EMEAP region, including to identify any gaps or challenges in the provision of such services.

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

## 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 self-assessment of its performance against these indicators was published in December 2019.<sup>5</sup> 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. Regulated entities are asked to respond to a survey seeking their feedback on these metrics and on the Bank’s regulatory performance more broadly.

In preparing its fourth RPF self-assessment, the Bank sought feedback from all licensed CS facilities, designated card schemes and a sample of card issuers and acquirers.<sup>6</sup> Regulated entities were later given the opportunity to provide feedback on the Bank’s draft self-assessment before it was finalised. Work on the Bank’s next RPF self-assessment is scheduled to commence in coming months and expected to be published on the Bank’s website in early 2021.

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5 Available at <<https://www.rba.gov.au/about-rba/boards/psb-board.html#regulatorPerf>>.

6 Card issuers provide individuals or businesses cards to make payments, maintain accounts associated with those cards and undertake other activities that enable payments to be made (e.g. authorising payments, and clearing and settling payment obligations with acquirers arising from the use of those cards). Card acquirers provide merchants with facilities to accept card payments and also undertake similar activities (e.g. clearing and settling the resulting obligations with card issuers).