

Strategic Review of Innovation

The Payments System Board has taken an active interest in innovation in the payments system and industry governance. The past year has seen the signing of the contract for development of the New Payments Platform as well as the formation of the Australian Payments Council and Payments Consultation Group.

The past year has seen considerable further progress following up on the Board's June 2012 *Conclusions to the Strategic Review of Innovation in the Payments System*. The Review concluded that removing some of the barriers to cooperative innovation had the potential to deliver significant public benefits over time. To enhance cooperative outcomes, the Board outlined two broad initiatives: it would periodically set out strategic objectives for the payments system and it would look to establish a more direct dialogue with industry.

New Payments Platform

The Board's conclusions provided an initial set of strategic objectives and invited the industry to respond. The objectives included the ability: to make and receive real-time retail payments; to make and receive payments outside normal banking hours; to send more explanatory information with a payment; and to send payments without having to use full Bank State Branch (BSB) and account number details. The industry-coordinated response proposed that these objectives should be addressed via a purpose-built payments infrastructure, the New Payments Platform (NPP).

In December 2014, a consortium of 12 Australian financial institutions announced that they had committed to funding the building and operation

of the NPP. Development of the NPP is progressing well and remains on track to move from the design to the build phase of development in the second half of 2015. To support the new infrastructure, the Reserve Bank is building a Fast Settlement Service (FSS) to settle NPP payments individually in real time; development of the FSS is also progressing to timetable. The NPP is scheduled to be operational in 2017.

The NPP is a major undertaking for the industry and is attracting significant interest from other jurisdictions that are also looking to upgrade their payments infrastructure to bring about real-time payments. Progress in the NPP has been assisted by a willingness on the part of participants to allocate resources to the program and by high levels of collaboration from all parties. The Board welcomes the significant progress to date and looks forward to the industry's continued collaboration in delivering this new payments infrastructure.

Industry and End-user Dialogue

Australian Payments Council

The formation of a new payments industry coordination body, the Australian Payments Council, was announced in August 2014. The Council was established to foster the ongoing

development of the Australian payments system. The work of the Council is intended to complement the oversight of the payments system by the Board and to facilitate dialogue between the Board and industry.

The Council, which held its first meeting in October 2014, is comprised of an independent chair and senior executives drawn from a broad community of payments organisations, including financial institutions, card schemes, retail acquirers and other payment service providers, as well as the Australian Payments Clearing Association and the Reserve Bank (in its role as provider of banking services to the government). In conjunction with the establishment of the Council, a new Payments Community was established to ensure the free flow of information between the Council and the broader industry. Membership of the Payments Community is open to any organisation with a significant interest in the Australian payments system. The Board looks forward to a productive relationship with the Council in the years to come.

Payments Consultation Group

Because its focus is on industry coordination, the Council does not include end-users as members. With this in mind, the Reserve Bank established the Payments Consultation Group in December 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 will help to ensure that the Board is well informed of end-user needs and views in its interactions with the Council and in its other policy work. The group met twice in 2014/15. The Board appreciates the willingness of participants to engage in this process.