

Accountability and Communication

The Payments System Board seeks to ensure a high degree of transparency and accountability around its actions through the Reserve 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 (FMIs).

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.

The broader accountability of the Bank includes its obligations under the *Public Governance, Performance and Accountability Act 2013*. The Bank's annual report and the 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 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

² For a detailed list of publications, see 'The Board's Announcements and Reserve Bank Reports' (p 71).



Annual joint meeting of the Payments System Board and Australian Payments Council, 18 August 2017

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 the 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 2016/17, senior Bank staff gave a number of public speeches and participated in discussion panels on payments system-specific topics. Speeches covered the regulatory framework for surcharging card payments and the ongoing evolution of the Australian retail payments system. 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 regulatory entities constituting the Council of Financial Regulators (CFR), the coordinating body for Australia's main financial regulatory agencies. These included a set of minimum conditions for safe and effective competition in cash equity clearing, and a set of 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

Research

The Bank's quarterly *Bulletin* contains analysis of a broad range of economic and financial issues, including payments system developments from

³ See <<https://cfr.gov.au/media-releases/2016/mr-16-02.html>>.

time to time, as well as aspects of the Bank's operations. During the year in review, the *Bulletin* included an article discussing sources of financial risk for central counterparties, articles on changes in the use of cash and cheques, and another presenting key findings from the Bank's 2016 Consumer Payments Survey on how Australian consumers make payments.⁴

To supplement the Bank's research and policy work, statistics on retail payments are collected by the Bank on a monthly basis from most financial institutions (banks, building societies, credit unions and card companies) and some other payments system participants. The collected data cover cheques and bulk electronic transfers as well as debit, credit and charge cards, and aggregates are made available on the Bank's website each month. The Bank has recently completed a review of the content of this collection, and is in the process of implementing changes which will reduce overall industry reporting burden and enhance the relevance of the data collected.

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 policy. The material on payments and financial market infrastructures (FMI) attracted over 850 000 page views in 2016/17.

Liaison Activity

The Bank engages with a wide range of stakeholders in Australia and overseas.

Liaison with industry

The Bank engaged extensively with industry in 2016/17. In August 2016, the Board held its annual meeting with members of the Australian Payments Council, which included discussion of the Council's Australian Payments Plan.⁵ Engagement between the Board and the Australian Payments Council occurs pursuant to a memorandum of understanding between the two organisations signed in 2015 and published on the Bank's website.

In the retail payments area, Bank staff met with a range of stakeholders to discuss policy concerns relating to dual-network debit cards and mobile wallet technology, including as part of a public consultation that the Bank held on this issue. Following the conclusion of the Bank's *Review of Card Payments Regulation* in May 2016, the staff also engaged closely with schemes and financial institutions around the implementation of the new standards. This included discussions with acquirers about the content of merchant statement information to be provided to merchants. Another focus area of the Bank's industry liaison during 2016/17 has been payments technology and innovation, especially in relation to digital currencies, the use of distributed ledger technology and payments-related financial technology (fintech) activity more broadly.

Bank staff meet regularly with senior staff of the Australian Payments Network (AusPayNet, formerly the Australian Payments Clearing Association) to discuss industry developments. These meetings take place consistent with an agreement on liaison arrangements between the two organisations that was updated in 2016/17 and is published on the Bank's website. The staff also meet periodically with

⁴ A staff Research Discussion Paper on the 2016 Consumer Payments Survey was also published in July 2017. See Box A.

⁵ The Australian Payments Council is an industry body, consisting of senior executives drawn from financial institutions (including the Reserve Bank) and other payments organisations.

counterparts from the Australian Competition and Consumer Commission (ACCC) and the Australian Treasury. The Bank and the ACCC have continued to collaborate closely in relation to the new surcharging framework, including ensuring that information provided to businesses and consumers is clear and consistent. Over the past year, Bank staff have participated in the Government's Black Economy Task Force, which has included some payments issues in its deliberations and draft recommendations.

The Bank remains extensively involved with the development of the New Payments Platform (NPP), (see 'Box B: New Payments Platform'). The Heads of Payments Settlements and Payments Policy Departments attend meetings of the NPP Australia Board – one as a voting member and the other as an observer. Alongside other participating financial institutions, Bank staff have continued to make a substantial contribution to the various design authorities, working groups and subcommittees responsible for developing and delivering the NPP.

As described in other chapters of this report, the Bank continued to work closely with other agencies of the CFR on a number of policy issues, including work in relation to FMI resolution and competition in clearing and settlement of equities. 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 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 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 meets approximately every six months. It met three times in 2016/17 and discussed a range of topics including the NPP, mobile wallets, distributed ledger technology, trends in payments identified in the Bank's Consumer Payments Survey 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 standards for them. 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 members from Payments Policy Department attend CPMI meetings, and contributed to CPMI reports on faster retail payments and on the use of distributed ledger technology in payment, clearing and settlement systems. Senior staff members from Payments Policy Department 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 Payment and Settlement Systems (WGPSS). This group has focused on several issues over the past year, including the application of new technologies such as distributed ledger technology to payment and settlement systems; central bank initiatives to support fintech development; the development of fast retail payment systems; and cyber resilience and oversight of FMIs. The Bank is participating in a study group of the WGPSS that is examining the development of payments-related fintech in the EMEAP region and the implications for central banks.

Regulator Performance Framework

The Bank adheres to the Australian Government's Regulator Performance Framework, which was established in 2014 as part of the government's commitment to reducing the cost of unnecessary or inefficient regulation imposed on individuals, businesses and community organisations. The framework consists of six outcomes-based key performance indicators (KPIs) that articulate the government's expectations of regulator performance.

The Bank's second annual self-assessment of its performance against these KPIs is underway. Self-assessments are conducted in close consultation with the regulated industry. In the Bank's case, the metrics used were determined with input from the entities regulated by the Bank, namely the designated card schemes and licensed clearing and settlement (CS) facilities. Each year the regulated entities are asked to respond to a survey that seeks feedback on these metrics.

The Bank appreciates the feedback that has been provided by card schemes and CS facilities in the 2017 survey and will consider how best to respond as it finalises its self-assessment under the framework. 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 by the end of 2017.

