

# Governor's Foreword

The Australian payments system is changing rapidly with new technologies and participants providing more payment options to consumers and businesses. This is providing Australians with a wider range of payment methods and greater convenience. The Payments System Board continues to focus on fostering innovation in a regulatory environment that supports the continued safety and security of the Australian payments system.

There has been a continued shift from cash to card payments, and a rapid uptake of mobile wallets offered by large technology companies. Use of the New Payments Platform (NPP) – Australia's fast payments system – has also continued to grow since its launch five years ago. The Board has a close interest in the capability of the NPP, especially in the development and introduction of new functionality to meet the evolving needs of end users.

The Reserve Bank has been working with the Australian Government on reforms to enhance the regulatory framework for the payments system. This includes modernising the *Payment Systems (Regulation) Act 1998*, developing the government's strategic plan for the payments system and putting in place a tiered licensing framework for payment service providers (PSPs). Another focus area has been the government's regulatory reforms for financial market infrastructures. These reforms will be critical to ensuring that the Bank and other regulators have the capabilities required to appropriately supervise market infrastructures into the future.

Globally, central banks, including the Reserve Bank, are investigating the potential use and implications of central bank digital currencies

(CBDCs). Over the past year, the Bank's staff worked with the Digital Finance Cooperative Research Centre on a pilot study, exploring the potential ways in which an Australian CBDC could be used to improve the functioning of the financial system. The results of this project will help to inform future work on assessing the policy case for issuing a CBDC in Australia.

The oversight of clearing and settlement facilities (CS facilities) is an important area of the Board's work. Over the past year, there has been significant focus on ASX's governance and operational arrangements, given the pausing of the CHES replacement project. It is important that the ASX prioritises the development of a new plan to deliver safe and reliable clearing and settlement infrastructure. The Bank expects ASX to maintain the current CHES so that it continues to operate reliably and support confidence in Australia's cash equity markets.

The Bank's high-value settlement system – the Reserve Bank Information and Transfer System (RITS) – is a critical part of Australia's payments infrastructure. Following a major technical outage in October 2022, the Board requested the Bank commission an external review and a targeted assessment of RITS against the

Principles for Financial Market Infrastructures (PFMI). The Bank is committed to implementing the recommendations in the review and the assessment. Given the increasing reliance of Australians on electronic payments, the Board also plans to extend its oversight to include payments systems where an outage could cause significant economic disruption and damage confidence in the financial system.

The Reserve Bank's staff have carried out their work with professionalism and provided excellent support to the Board throughout the year. 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.



**Philip Lowe**

Governor and Chair,  
Payments System Board  
15 September 2023