

1. About the Payments System Board

Our role

The Reserve Bank is responsible for ensuring the stability, efficiency and competitiveness of the payments system through the Payments System Board. As set out in the *Reserve Bank Act 1959*, it is the duty of the Payments System Board to ensure that the Bank's payments system policy is directed to the greatest advantage of the people of Australia, and to ensure that the powers of the Bank under the *Payment Systems (Regulation) Act 1998* and the *Payment Systems and Netting Act 1998* are exercised in a way that, in the Board's opinion, will best contribute to:

- controlling risk in the financial system
- promoting the efficiency of the payments system
- promoting competition in the market for payment services, consistent with the overall stability of the financial system.

Under the *Payment Systems (Regulation) Act*, the Bank has the power to designate payment systems and to set standards and access regimes for designated systems. The *Payment Systems and Netting Act* provides the Bank with the power to give legal certainty to certain settlement arrangements in order to minimise the risks of systemic disruptions from payment systems.

In addition, the Payments System Board has a duty to ensure that the powers and functions of the Reserve Bank under Part 7.3 of the *Corporations Act 2001* are exercised in a way that, in the Board's opinion, will best contribute to the overall stability of the financial system. These powers and functions relate to the supervision

of central counterparties and securities settlement facilities, which are key infrastructure supporting the clearing and settlement of transactions in financial markets. The Bank's Payments Policy Department also acts as overseer of Australia's high-value payments system – the Reserve Bank Information and Transfer System (RITS).

Strategic priorities

The Payments System Board periodically sets priorities to guide the Reserve Bank's payments policy work. When updating these priorities at its August 2021 meeting, the Board took into account the trends in the payments system that could have the most significant implications for competition, efficiency and risk over the next few years. The Board also considered issues affecting financial market infrastructures (FMIs) and their implications for financial stability. The Bank's work agenda is focused on these strategic priorities. The Board will periodically review the strategic priorities as the payments landscape evolves.

Payments System Board 2021 • STRATEGIC PRIORITIES



Support the shift towards **digital payments**



Research **central bank digital currencies and other innovations** in payment systems and FMI



Identify and resolve any **competition and efficiency issues associated with new technologies and players** in the payments system



Promote the **safety and resilience** of FMI and payment systems



Work with the government to **implement reforms to the regulation of FMI**, including crisis management powers over Australian CS facilities



Support the shift towards **digital payments**

As discussed in the chapter on 'The Evolving Payments Landscape', Australia's payments system is evolving rapidly. The use of paper-based payment methods such as cash and cheques has been declining, while the use of electronic payments like cards and account-to-account transfers continues to grow. The COVID-19 pandemic has accelerated these trends, with the use of digital wallets and new payment services such as 'buy now, pay later' growing rapidly in recent years, and a larger share of transactions taking place online. These changes have been driven by ongoing advances in technology and changing expectations of end users for convenient and safe payments. The increased reliance on electronic payments underscores the importance of keeping the costs of electronic payments low while maintaining security, resilience and innovation.

Consistent with its mandate, the Bank has an important role to play in overseeing the transition towards an efficient, secure and reliable payments system, and making sure the needs of all users of the payments system are adequately met. In this context, there are a number of priorities for the Bank's payments policy work:

- The Bank will continue to monitor developments and contribute to debate through the provision of data and research on changes to the payments mix and implications for the efficiency of Australia's payments system. In 2022, for example, the Bank will undertake its sixth triennial survey of consumer payments, with results to be published in the first half of 2023.
- The Bank is currently finalising a major review of the regulatory framework for retail payments, which has focused on measures to promote competition and efficiency in card payments. The Bank will monitor the implementation and impact of the regulatory changes stemming from this review, and will engage with end users and industry stakeholders on any additional policy issues that arise.

- The shift to digital payments means merchants are becoming more reliant on acquirers and other payment service providers for their payment needs. It is therefore important that the market for electronic payment services is competitive, efficient and responsive to the needs of merchants. The Bank will continue to assess developments in this market and will explore options to promote competition and efficiency. For example, the Bank is currently exploring measures that will make it easier for merchants to shop around for, and switch to, a better deal on their payment services.
- Having an efficient, competitive and accessible market for cross-border payment services is also important for the economy and has recently become a major priority of the international regulatory community. The Bank will contribute to international work on the G20-endorsed roadmap for enhancing retail and wholesale cross-border payments, and will also engage with domestic policy and regulatory agencies and industry stakeholders to address specific challenges in the Australian market. A particular focus for the Bank is potential options to address cost and accessibility challenges for remittances to the South Pacific region.
- Even though the use of cash for transactions has been declining, cash remains an important payment instrument and store of value for many people. The Bank will continue to monitor the use and acceptance of cash, as well as access to cash services, and will work to support the ongoing provision of cash services for as long as people want or need to use cash. Later this year, the Bank will commence a consultation on banknote distribution arrangements.
- As the shift to digital payments accelerates, there will be scope for the rationalisation and closure of older systems. The Bank will continue to monitor industry efforts to

manage the wind-down of the cheques system, ensuring that the payment needs of different end users are adequately met during the transition. How the industry manages the planned migration away from the Direct Entry system will also be a focus in coming years.



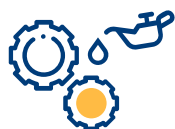
Research **central bank digital currencies and other innovations** in payment systems and FMs

Due to the ongoing decline in the use of cash for transactions, the emergence of a number of technological developments (such as distributed ledger technology, blockchain and cryptocurrencies) and the broader digitalisation of the economy, there is a growing interest in the possibility of central banks issuing a new digital form of money, known as central bank digital currency (CBDC). Many central banks, including the Reserve Bank, are actively exploring the case for CBDC and the various policy and technical issues it would raise. A CBDC could potentially support a number of policy objectives, including safeguarding public trust in money and promoting efficiency, safety, resilience and innovation in payment systems and infrastructures.

The Bank's work to date has suggested that there is currently not a strong public policy case for developing a retail CBDC in Australia given that cash is still widely available and accepted as a means of payment and that households and businesses are well served by a modern, efficient and resilient payments system. However, the

Bank will continue to investigate the case for a CBDC and to explore technical, operational and policy implications through the development of proofs-of-concept and other forms of technical experimentation. In doing so, the Bank will engage with a wide range of stakeholders, including via collaborative projects, building on the work the Bank has conducted in the past few years. For example, the Bank is currently partnering with the BIS Innovation Hub and a number of other central banks on a project to explore the potential use of multiple wholesale CBDCs for cross-border payments. The Bank will also leverage its participation in the Digital Finance Cooperative Research Centre (CRC) to collaborate with CRC researchers and other industry partners on CBDC as well as related innovations such as asset tokenisation.

There are a range of other technology-driven changes to payment systems and FMs that could have significant implications for the Bank's regulatory and oversight work, and potentially also for the way the Bank operates. The Bank will undertake work to understand these new technologies and how they are being applied, including the implications for competition, efficiency and financial stability.



Identify and resolve any **competition and efficiency issues associated with new technologies and players** in the payments system

The structure of the payments system is evolving rapidly as a result of new entities

becoming involved in various parts of the payments value chain and new technologies being used to facilitate payments. This more complex and dynamic environment is clearly providing benefits to end users of the payments system. However, it can also raise concerns in regards to access, competition and efficiency that the Board may need to address. For example, issues may arise in relation to how 'fintechs' and other non-bank entities access payment systems or infrastructures. The increasing involvement of 'bigtech' players with large customer networks and superior technological capabilities could give rise to concerns related to the potential for technological lock-out or misuse of market power. Further, there will likely be questions about how new players fit within existing regulatory structures and whether any changes to regulation are required to accommodate them.

The Bank will engage with new players in the payments system to better understand how the payments landscape is changing, and to identify and address any concerns relating to access, competition and efficiency. For example, the Bank will undertake a second public consultation on New Payments Platform (NPP) access and functionality with the Australian Competition and Consumer Commission (ACCC), most likely starting in 2021/22, which will examine how new players are accessing and using the platform. In relation to the strong growth in the use of digital wallets and the underlying commercial arrangements, the Bank will closely monitor developments in Australia and overseas to determine whether any regulatory intervention is appropriate. On such access and competition issues in the payments system, the Bank will engage closely with the ACCC, in accordance with long-standing policy coordination and information-sharing arrangements.

The Bank will continue to work with the Australian Government and other domestic regulators to ensure that the regulatory environment remains accommodative of new players in the payments system. This includes the Bank's current work with the other Council of Financial Regulators (CFR) agencies to review the regulatory framework for stablecoins and the ongoing work to implement the changes to the regulatory framework for stored-value facilities that the CFR recommended a few years ago. More broadly, the Bank will respond to any relevant recommendations on the regulatory framework for payments stemming from the recent Treasury Payments System Review.



Promote the **safety and resilience** of FMs and payment systems

FMs and payment systems are critical to the stability of the financial system. Accordingly, the Bank will continue to devote significant resources to its role as supervisor of Australian-licensed clearing and settlement (CS) facilities and overseer of high-value payment systems. Given that operational incidents at FMs in recent years have caused major disruption to financial markets, the Bank will focus on the efforts that FMs are making to ensure that such incidents do not reoccur.

The Bank will also be devoting significant resources to growing cyber-security threats to FMs and payment systems. Building cyber resilience requires a system-wide approach, and collaboration between the Bank, the government, other CFR agencies and the finance

industry to address these threats. The Bank will continue to monitor how systemically important domestic entities are enhancing their technology security in line with industry best practice. Over the next year, this will include supporting the participation of RITS and ASX in the CFR-sponsored 'red team' exercise for financial institutions. This exercise aims to test and demonstrate the collective cyber maturity and resilience of Australia's financial system. The Bank will also continue to contribute to work by the CFR agencies to coordinate their response to cyber incidents, including through improved information-sharing arrangements.

With the ongoing shift to electronic payments and people carrying less cash, the reliability of retail payment services is becoming increasingly important to economic activity, as well as confidence in payment services and key providers. The Bank is implementing a new reporting and disclosure framework for operational performance in the provision of retail payment services. The first public disclosures on service availability and outages are expected to occur in November this year. The Board will monitor the reliability of retail payment services using the new data and consider whether further policy measures are needed to enhance operational resilience.



Work with the government to **implement reforms to the regulation of FMs**, including crisis management powers over Australian CS facilities

To maintain the stability of the financial system, regulators of FMIs need to have strong supervisory powers and the tools to manage any problems that might occur at these institutions. Accordingly, a key priority for the Bank is to work with the Australian Government on implementing reforms to the regulation of FMIs, including stronger supervisory powers and a crisis management regime for Australian CS facilities. These reforms were proposed by the CFR and will help to ensure that the Bank and the Australian Securities and Investments Commission (ASIC) have the powers to respond appropriately and quickly to a crisis at CS facilities. In proposing these reforms, the CFR took into account feedback provided by stakeholders during a consultation conducted in 2019/20; stakeholders will have a further opportunity to provide feedback once legislation to implement the reforms has been drafted.

The reforms will provide powers for the Bank as the resolution authority to deal with the potential failure of an FMI, so as to ensure the continuity of services that are critical to the financial system. As part of this, there will be a facility for the Bank to draw up to \$5 billion from the government as a last resort measure to ensure the continued operation of CS facilities, with any funding to be recovered once a crisis is resolved. This will be a significant additional responsibility for the Bank, and Payments Policy Department has a small team working on developing the resolution regime. The Bank will provide assistance to the government with the preparation of draft legislation, and will continue to work on arrangements to operationalise the Bank's proposed new powers. This will include the development and testing of crisis management arrangements. The reforms will also give the Bank enforcement powers to underpin its supervision of CS facilities.

Payments System Board Members (August 2021)

The Board comprises up to eight members: the Governor; the Assistant Governor (Financial System); the Chair of the Australian Prudential Regulation Authority (APRA); and up to five other non-executive members appointed by the Treasurer. Members of the Board during 2020/21 and details of their qualifications and experience are shown below.

Philip Lowe



BCom (Hons) (UNSW), PhD (MIT)

Governor and Chair

Governor since 18 September 2016
Present term ends 17 September 2023

Philip Lowe was Deputy Governor from February 2012 until his appointment as Governor took effect in September 2016. Prior to that, he held various senior positions at the Reserve Bank, including Deputy Governor, Assistant Governor (Economic) and Assistant Governor (Financial System), where he was responsible for overseeing economic and policy advice to the Governor and Reserve Bank Board. He spent two years with the Bank for International Settlements working on financial stability issues. Dr Lowe has authored numerous papers, including on the linkages between monetary policy and financial stability. He is a signatory to The Banking and Finance Oath.

Other roles

Chair – Reserve Bank Board
Chair – Council of Financial Regulators
Chair – Financial Markets Foundation for Children
Chair – Bank for International Settlements
Committee on the Global Financial System
Member – Financial Stability Board
Member – Trans-Tasman Council on Banking Supervision
Director – The Anika Foundation

Michele Bullock



BEd (Hons) (UNE), MSc (LSE)

Assistant Governor (Financial System) and Deputy Chair

Deputy Chair since 29 October 2016

Michele Bullock has held various senior positions at the Reserve Bank. Most recently, she held the position of Assistant Governor (Business Services). She has also been in the positions of Assistant Governor (Currency), Adviser for the Currency Group and, before that, Head of Payments Policy Department. In her current position as Assistant Governor (Financial System), Ms Bullock is responsible for the Bank's work on financial stability and oversight of the payments system.

Other roles

Member – Basel Committee on Banking Supervision
Member – Council of Financial Regulators

Wayne Byres



BEC (Hons), MAppFin (Macquarie)

Ex officio member

Chair, Australian Prudential Regulation Authority
Member since 9 July 2014

Wayne Byres brings a wealth of experience and knowledge of prudential supervision and banking practices. He was appointed as a Member and Chair of APRA from 1 July 2014 for a five-year term, and was subsequently reappointed on 1 July 2019 for a further five-year term. His early career was at the Reserve Bank, which he joined in 1984. He transferred to APRA on its establishment in 1998 and held a number of senior executive positions in the policy and supervisory divisions. In 2004, Mr Byres was appointed Executive General Manager, Diversified Institutions Division, with responsibility for the supervision of Australia's largest and most complex financial groups. He held this role until the end of 2011, when he was appointed as Secretary General of the Basel Committee on Banking Supervision, based at the Bank for International Settlements in Basel. Mr Byres is a Senior Fellow of the Financial Services Institute of Australia.

Other roles

Member – Basel Committee on Banking Supervision
Member – Bank for International Settlements Group of Governors and Heads of Supervision
Member – Council of Financial Regulators
Member – Trans-Tasman Council on Banking Supervision

Gina Cass-Gottlieb



BEd (Hons), LLB (Hons) (Sydney), LLM (Berkeley)

Non-executive member

Member from 15 July 2013 to 14 July 2018
Reappointed from 1 August 2018
Present term ends 31 July 2023

Gina Cass-Gottlieb has extensive expertise in all areas of competition law and economic regulatory advice and in the regulation of payments in Australia. Ms Cass-Gottlieb is a senior partner in Gilbert + Tobin's competition and regulation practice, advising and representing corporations, industry associations, government and non-government agencies. She has over 25 years' experience, including advising in relation to access arrangements in a range of sectors across the economy. Ms Cass-Gottlieb attended the University of California, Berkeley, as a Fulbright Scholar.

Other roles

Director – Sydney Children's Hospitals Foundation

Deborah Ralston



BEd, Dip Fin Mgt, MEd (UNE), PhD (Bond)

Non-executive member

Member since 15 December 2016
Present term ends 14 December 2021

Deborah Ralston has more than 25 years of board-level experience in education, banking, superannuation and fintech sectors. Dr Ralston has held senior leadership and research roles in Australian universities, most recently as the Executive Director of the Centre for Financial Studies. Her expertise in public policy is reflected in appointments to the Australian Government's Retirement Income Review Panel, the Comprehensive Income Products for Retirement Framework Advisory Committee and as inaugural Chair of ASIC's Digital Finance Advisory Board. She is currently a Professorial Fellow at Monash University Business School, with research interests in financial regulation and superannuation and is a Fellow of CPA Australia and the Australian Institute of Company Directors.

Other roles

Chair – Advisory Board, Household Capital

Director – SuperEd Pty Ltd

Director – Kaplan Business School and Kaplan
Higher Education

Director – SMSF Association

Member – Advisory Board, Allianz Retire+

Member – Advisory Board, Connexus Institute

Greg Storey



Non-executive member

Member since 1 August 2018

Present term ends 31 July 2023

Greg Storey is an experienced cards and payments industry professional, with specialist knowledge in the evolution and operation of debit cards, credit cards and payment systems. He was Vice-President and Head of Visa Checkout, Asia Pacific from 2012 to 2016. Mr Storey had over 20 years' experience with Visa, spanning the rollout of numerous VisaNet-related solutions and services, product and strategy, micropayments solution (Payclick), as well as Visa Checkout (and V.me) products across the Asia Pacific region. Prior to his roles at Visa, Mr Storey worked at St. George Bank in various cards and payments roles, as CIO of an independent payment solution provider, and has established and overseen merchant point of sale and ATM switching operations.

Catherine Walter AM



LLB (Hons), LLM, MBA (Melbourne)

Non-executive member

Member since 3 September 2007

Present term ends 2 September 2022

Catherine Walter brings substantial experience and expertise in financial services and corporate governance across many industry sectors, including banking, insurance, funds management, health services, medical research, education, telecommunications and resources. Mrs Walter is a solicitor and company director, who practised banking and corporate law for 20 years in major city law firms, culminating in a term as Managing Partner of Clayton Utz, Melbourne. She was a Commissioner of the City of Melbourne and for more than 20 years has been a non-executive director of a range of listed companies, government entities and not-for-profit organisations. Mrs Walter is a Fellow of the Australian Institute of Company Directors.

Other roles

Chair – Creative Partnerships Australia

Chair – Financial Adviser Standards and Ethics Authority

Chair – Helen Macpherson Smith Trust

Chair – Melbourne Genomics Health Alliance

Director – Australian Foundation Investment Company

Director – Barristers' Chambers Limited

Retirement from the Board

Brian Wilson AO retired from the Board on 14 November 2020.

Brian Wilson AO



MCom (Hons) (Auckland)

Non-executive member

Member from 15 November 2010 to 14 November 2020

During his term, Brian Wilson brought extensive financial services experience, including involvement with both the funds management and investment management sectors, specialising in corporate financial advice. Mr Wilson was a Managing Director of the global investment bank Lazard until 2009, after co-founding the firm in Australia in 2004, and was previously a Vice-Chairman of Citigroup Australia and its predecessor companies. He is the former Chairman of Australia's Foreign Investment Review Board and a former Chancellor of the University of Technology Sydney. Mr Wilson was a member of the Commonwealth Government Review of Australia's Superannuation System, the ATO Superannuation Reform Steering Committee and the Specialist Reference Group on the Taxation of Multinational Enterprises in Australia. In May 2017, Mr Wilson was awarded a Doctor of the University, honoris causa (DUniv) by the University of Technology Sydney.

Resolution passed by the Payments System Board – 21 August 2020

In view of the likelihood that this would be the final meeting for Brian Wilson, whose second term on the Board ends prior to the November meeting, the Governor paid tribute to Mr Wilson's very significant contribution to the work of the Board over the preceding 10 years. On behalf of all members, the Governor expressed great appreciation for Mr Wilson's professionalism and dedication, and for his active and probing role in contributing to the formulation of payments policy throughout his term on the Board, drawing on his extensive experience in the finance sector. The Governor acknowledged Mr Wilson's strong support for the work of the Bank in the payments area and also applauded his constructive and collegial style, his clear policy insights and ability to summarise relevant issues succinctly. Members wished him well in the future.

Meetings of the Payments System Board

Since its inception, the Board's practice has been to meet at least four times a year, with the option of meeting more often if needed. Four meetings were held in 2020/21 – one at the Bank's Head Office in Sydney and three via videoconference due to the COVID-19 pandemic.

Conflict of interest policy

The Bank has a number of distinct areas of responsibility in the Australian payments system: it operates and participates in Australia's real-time gross settlement (RTGS) system, RITS; it provides transactional banking services to the Australian Government and its agencies; and it is principal regulator of the payments system through the Board. This combination of functions is conventional internationally, and the Board has formally adopted a policy on the management of actual or perceived conflicts of interests arising from the Bank's different roles.

The policy is published on the Bank's website and focuses on interactions between the Bank's Payments Policy Department and Banking Department.^[1] It was updated in May 2021 to clarify arrangements for staff from these departments participating together in cross-agency working groups on issues of broader relevance to the Bank and which promote the public interest. The policy also includes governance arrangements relating to the Bank's ongoing engagement with NPP Australia Ltd. Details of the steps taken to achieve compliance with the policy, including the minutes of

[1] See RBA, 'Managing Potential Conflicts of Interest Arising from the Bank's Commercial Activities'. Available at <<https://www.rba.gov.au/payments-and-infrastructure/payments-system-regulation/conflict-of-interest.html>>.

Table 1.1: Board Meetings in 2020/21

Attendance by members

	Attended	Eligible
Philip Lowe (Governor)	4	4
Michele Bullock (RBA)	4	4
Wayne Byres (APRA)	4	4
Gina Cass-Gottlieb	4	4
Deborah Ralston	4	4
Greg Storey	4	4
Catherine Walter	4	4
Brian Wilson ^(a)	1	1

(a) Brian Wilson's term on the Board ended on 14 November 2020

informal meetings between departments, are audited biennially, with the results presented to the Board. The most recent audit was conducted in March 2020.

In the case of the Bank's oversight of RITS, the Board plays a governance role in managing conflicts of interest. While an internal FMI Review Committee has the formal responsibility to review and approve assessments of other FMIs, the Board retains primary responsibility for approving the staff's periodic assessments of RITS.

Accountability and communication

The Payments System Board seeks to ensure a high degree of transparency and accountability around its actions through regular reporting to the Australian Government and through the Bank's communication program.

Accountability

The Bank has a range of reporting obligations that serve to ensure the accountability of the Board. Under the *Reserve Bank Act 1959*, 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 annual 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 broader accountability of the Bank includes its obligations under the *Public Governance, Performance and Accountability Act 2013*. The Bank's annual report, including the annual performance statement, covers the Bank's role in the payments system.

Communications

The Bank regularly communicates on payments system issues and its regulatory and oversight work through media releases, speeches, research publications, the Bank's website, and community and industry liaison. The Bank also engages in various international forums relating to payment systems and financial market infrastructures (FMIs).

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

Speeches

During 2020/21, senior Bank staff gave a number of public speeches and participated in discussion panels on various payments system-related topics, including the impact of the COVID-19 pandemic on financial stability, innovations in the payments system such as central bank digital currency (CBDC), and the

Bank's Review of Retail Payments Regulation. Audio files and transcripts of speeches are published on the Bank's website.

Submissions and parliamentary appearances

The Bank made submissions to a number of parliamentary and federal government committees and inquiries on payments system-related topics during 2020/21. These included submissions to (and Bank staff appearances before) the Senate Select Committee on Financial Technology and Regulatory Technology, the Senate Select Committee on Australia as a Technology and Financial Centre, and the Inquiry into Mobile Payment and Digital Wallet Financial Services by the Parliamentary Joint Committee on Corporations and Financial Services. The Bank also made a detailed submission to the Treasury Payments System Review. Copies of the Bank's submissions can be found on the Bank's website.^[2] Bank staff also engaged closely with the Department of Home Affairs in connection with the development of the *Security Legislation Amendment (Critical Infrastructure) Bill 2020*.

Research and statistics

The Bank's quarterly *Bulletin* contains articles on a wide range of issues relating to the Bank's mandate, including on the payments system and FMs. During the year in review, the *Bulletin* included articles on retail CBDC, cash demand during the COVID-19 pandemic, access to cash services, developments in the 'buy now, pay later' (BNPL) market, governance arrangements of FMs and an historical analysis of the causes of central counterparty failures.

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 New Payments Platform (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.

Liaison activity

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

Domestic liaison

During 2020/21, the Bank continued to engage extensively with a range of participants in the payments industry. In August 2020 and August 2021, the Board held its annual meetings with members of the Australian Payments Council (APC).^[3] The meetings included discussion of the APC's progress with its strategic focus areas relating to improving systemic resilience of the payments system and combatting financial crime, as well as developments in the provision of digital identity services, the decline of cash, and industry plans for the future of the cheques and Direct Entry systems. 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.^[4]

In the payments area, Bank staff met with a wide range of stakeholders to discuss policy issues and market developments. In 2020/21, this

[2] See RBA, 'Submissions – Payments System'. Available at <<https://www.rba.gov.au/publications/submissions/payments-system/>>.

[3] 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 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.

[4] See RBA (2015), 'Memorandum of Understanding: The Payments System Board and the Australian Payments Council', August.

stakeholder engagement focused on issues related to the Bank's comprehensive Review of Retail Payments Regulation, which was launched in late 2019. After being temporarily put on hold for a period in 2020 owing to the COVID-19 pandemic, the Review was resumed later that year. In May 2021, the Bank published a consultation paper that set out the preliminary conclusions and proposed policy actions of the Board. Following consultation with stakeholders, the Bank expects to publish the Board's final conclusions and variations to the standards in October.

Outside of formal public consultations, the Bank's meetings with stakeholders on retail payments issues over the past year have focused on a wide range of issues, including the impacts of the COVID-19 pandemic on the payments system, challenges in cross-border payments, initiatives to bolster the security and reliability of retail payments, the future of cash, competition in the debit card market and competition in the acquiring market. Bank staff have also continued to engage 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 BNPL services, CBDC and the role of new players such as bigtechs in the payments ecosystem.

Bank staff meet regularly with senior staff of the Australian Payments Network (AusPayNet), the main self-regulatory body for the payments industry, to discuss industry initiatives and developments, including AusPayNet's work 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.^[5] The staff also meet periodically with counterparts

[5] See RBA (2021), 'Memorandum of Understanding for Liaison Procedures between the RBA and AusPayNet', February.

from a range of government agencies, including Treasury and 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, which 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. Further, the Banking Department is a direct participant in the NPP, providing payments services to its government clients via the NPP. Bank staff participate in some NPPA committees and until recently the Head of Payments Settlements Department was a Bank-appointed member of the NPPA Board. Staff from Payments Policy Department hold regular liaison meetings with senior staff from NPPA to discuss developments in relation to the NPP, including on the development of new NPP capabilities and new payment services that utilise the NPP infrastructure. The Bank and NPPA have an MOU that formally sets out the arrangements for how different parts of the Bank interact with NPPA, including the sharing of information, consistent with the policy on the management of conflicts of interests.^[6]

[6] See RBA (2021), 'Memorandum of Understanding between RBA and NPP Australia Limited', April. The ACCC has recently approved an application for authorisation of a merger of NPPA with the companies operating the eftpos and BPAY systems. The Bank abstained from any merger-related discussion by the NPPA Board and did not exercise its right as an NPPA shareholder to be represented on an industry committee to discuss possible consolidation. As it became apparent that there was support for a merger among the industry shareholders and for an application to the ACCC for authorisation, the Bank indicated to NPPA that it would seek to reach agreement on suitable arrangements under which it would remain a full participant in the NPP but redeem its existing shares in NPPA and not become a shareholder in the proposed holding company that would hold the shares in NPPA and the companies that operate BPAY and eftpos. The Bank's appointed director has recently resigned from the NPPA Board and arrangements for the divestment of the Bank's shares in NPPA were being finalised at the time of writing.

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 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.

The Bank continues to work closely with other agencies of the Council of Financial Regulators (CFR) (and, where relevant, the ACCC) on a number of policy issues, including the Australian Government's reforms to the regulatory regime for FMIs (including the introduction of a crisis management regime for CS facilities), competition in clearing and settlement of equities, and cyber security, as well as a review of the regulatory framework for stablecoins. The CFR agencies, along with the Australian Transaction Reports and Analysis Centre, participate in a working group that considers the implications of distributed ledger technology and the emergence of different types of crypto-assets for the financial sector and regulation. During the past year, the Bank was also involved in a working group with other CFR agencies, the ACCC and representatives of the Australian Registrars' National Electronic Conveyancing Council that reviewed and provided recommendations on aspects of the regulatory framework for property e-conveyancing systems.

Staff also attend various conferences and seminars on issues related to payments and FMIs, in some cases as speakers or panellists.

Payments Consultation Group

In addition to bilateral liaison with stakeholders representing end users, the Bank convenes a Payments Consultation Group 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 the payments system needs and challenges of end users as input to the Bank's policy work and in its interactions with the payments industry.

The Payments Consultation Group met twice in 2020/21 and discussed a range of topics, including the decline in cash and cheque use, the involvement of bigtechs in payments and the policy issues coming out of the Bank's 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 Bank for International Settlements' (BIS) Committee on Payments and Market Infrastructures (CPMI), which serves as a forum for central banks to monitor and analyse developments in payment, clearing and settlement infrastructures, and sets international standards. 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 of FMIs. Bank staff are members of a number of CPMI working groups, including some that are contributing to elements of the international roadmap for enhancing cross-border payments. The Bank also participates in a Financial Stability Board (FSB) working group examining the regulation of global stablecoin arrangements.

The Bank is a member of the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) Working Group on Payments and Market Infrastructures, which is a regional forum

for sharing information and experiences relating to the development, oversight and regulation of retail payment systems and FMIs.

In addition to these more policy-focused forums, the Bank also participates in several multilateral and bilateral arrangements to support its oversight of overseas-based FMIs.

Table 1.2 presents a breakdown of the Bank's participation in the international forums relevant to the mandate of the Board. ✎

Table 1.2: RBA's Participation in International Forums dealing with Payments System and FMI Issues

Name of the forum	Organiser/ secretariat	Mandate	Membership
Policy-focused forums			
CPMI	BIS	Monitoring and analysing developments in payment, clearing and settlement infrastructures, standard setting.	28 central banks – CPMI members.
CPMI–IOSCO Steering Group	BIS/IOSCO	Providing operational guidance on joint CPMI–IOSCO work.	CPMI and IOSCO members.
CPMI–IOSCO Policy Standing Group	BIS/IOSCO	Developing supervisory policies and guidance.	CPMI and IOSCO members.
CPMI–IOSCO Implementation Monitoring Standing Group	BIS/IOSCO	Monitoring of Principles for Financial Market Infrastructures implementation in 28 CPMI–IOSCO jurisdictions.	CPMI and IOSCO members.
FMI Cross Border Crisis Management Group	FSB	Development of resolution strategies and operational resolution plans for CCPs.	Representatives from 24 jurisdictions, major international financial institutions (including the International Monetary Fund and BIS), standard-setting bodies (such as the Basel Committee on Banking Supervision).
FSB Regulatory Issues in Stablecoins Working Group	FSB	Development and monitoring of approaches to the regulation, supervision and oversight of global stablecoin arrangements.	Representatives from FSB member jurisdictions, international organisations and international standard-setting bodies.
EMEAP Working Group on Payments and Market Infrastructures	Reserve Bank of New Zealand (rotating)	Information and experience sharing on the regulation and oversight of payment systems and FMIs.	RBA, The People's Bank of China, Hong Kong Monetary Authority, Bank Indonesia, Bank of Japan, Bank of Korea, Bank Negara Malaysia, Reserve Bank of New Zealand, Bangko Sentral Ng Pilipinas, Monetary Authority of Singapore, Bank of Thailand.
Cooperative oversight forums			
CLS Oversight Committee	Federal Reserve Bank of New York	Cooperative oversight of the CLS.	23 central banks representing 18 CLS settlement-eligible currencies plus five additional Eurosystem central banks.
SWIFT Oversight Forum	National Bank of Belgium	Providing input to cooperative oversight of SWIFT exercised by SWIFT Oversight Group (OG).	G10 central banks (OG) and 10 additional central banks
LCH Ltd Supervisory College	Bank of England	Cooperative oversight of LCH Ltd.	Central banks and securities regulatory authorities from 20 jurisdictions of LCH Ltd operation.
LCH Ltd Crisis Management Group	Bank of England	Cooperative oversight of LCH Ltd.	As above.
Multilateral Oversight Group for the Euroclear Bank	National Bank of Belgium	Cooperative oversight of Euroclear Bank.	RBA, Federal Reserve, Bank of England, Bank of Japan, European Central Bank.