

Governor's Foreword

The payments landscape is changing rapidly due to new technologies and business models. This is creating opportunities for more efficient payment methods that meet the needs of Australians. Much of the work of the Payments System Board during 2020/21 focused on understanding these new opportunities and ensuring that the regulatory arrangements are appropriate for this fast-moving world.

Over the past year there has been a further shift to electronic payments, including payments made online and using a mobile phone, as well as strong growth in new payment types, such as 'buy now, pay later' (BNPL) services. In addition, large technology companies are becoming increasingly involved in the payments process and there is growing interest in the possibility of new forms of money, including central bank digital currencies (CBDCs) and stablecoins. The Bank's staff have an active research agenda in this area and are involved in research projects on wholesale CBDC in collaboration with other central banks and interested parties. The Board has a keen interest in this work and is devoting considerable time to understanding the changing landscape and the implications for payments regulation. It welcomes the recent Treasury review of the Australian payments system and looks forward to working with the Australian Government on any changes to the regulatory framework it wishes to make.

The Board will shortly complete a major review of the Bank's existing retail payments regulations, which started in late 2019, and thanks the many stakeholders who made submissions. The review focused particularly on

competition in the debit card market, the ability of merchants to choose the lowest-cost payment channel, and the 'no-surcharge' rules of BNPL providers.

Another major focus area of the Board over the past year has been the operational resilience of Australia's electronic payments system. It is important that Australians have confidence that they can make electronic payments when they need to do so. The Bank is working with the industry to improve the transparency of information on the operational reliability of retail payment services, with the first reporting by providers under new disclosure arrangements expected in November. The Bank is also working with the other agencies of the Council of Financial Regulators on the management of cyber-security risks in the financial sector, including by operators of critical payments infrastructure.

In other work, the Bank is cooperating with other central banks to improve the efficiency and lower the cost of cross-border payments. The G20 leaders have endorsed a multi-year international roadmap to address the cost, speed, transparency and accessibility challenges in cross-border payments. This an important issue for Australia, and an immediate priority is to work with our South Pacific neighbours on options to address the high cost of remittances to the region.

Notwithstanding the shift to electronic payments, cash remains an important payment method for many people. The Bank places a high priority on the community continuing to

have good access to cash withdrawal and deposit services. As part of its work in this area, the Bank will soon commence a public consultation on the arrangements for moving banknotes around Australia and between banks.

The oversight of financial market infrastructures (FMIs) is another important area of the Board's work. Over the past year, a major focus has been the resilience of this infrastructure. In late 2020, together with the Australian Securities and Investments Commission, the Bank reviewed the operational issues affecting ASX's trading, clearing and settlement (CS) systems. This led to a number of recommendations regarding governance issues and the management of technology projects, which are set out in the Bank's annual assessment of the ASX CS facilities. Further, the Board has emphasised the need for the CHESS replacement system to be implemented as soon as can safely be achieved by ASX and users of CHESS.

The Board welcomes the Australian Government's recent announcement that it will implement a package of FMI reforms, which will

put in place more comprehensive arrangements for the management of systemic risks and for dealing with financial stress in Australia's key FMIs. Under the new arrangements, the Bank will have an important responsibility for resolution of CS facilities in extreme events.

In what has been a challenging year due to the COVID-19 pandemic, the Bank's staff have continued to support the Board with a high degree of professionalism and carried out their work to a very high standard. The Board joins me in thanking the staff for their contribution to the efficiency and stability of Australia's payments system.



Philip Lowe
Governor and Chair,
Payments System Board
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