

14 November 2013

Susan Bray
Head of Self-Regulation
APCA
Level 6, 14 Martin Place
Sydney NSW 2000

Establishment of an Australian Payments Council

Dear Susan,

We refer to the RBA's press release dated 21 October 2013 and the accompanying joint consultation document headed "Establishment of an Australian Payments Council" dated October 2013. As requested under section 5 of the consultation document, we provide feedback on the creation of an Australian Payments Council as outlined in the document.

Overall we support the proposed establishment of an Australian Payments Council and supporting Payments Community as outlined in the consultation document. We equally support the proposed voting structure for the Payments Council and the proposed engagement model with the Payments System Board (PSB).

This said we raise two concerns from a practical perspective. These are firstly in terms of the Payment Council's powers which we note are non-binding, and secondly, in regards to membership, specifically the two representative positions allocated to other financial institutions.

With regards to the first concern, we would anticipate in instances where the work of the Council sits behind a goal set by the PSB, the Council would be quite effective in driving industry consensus as illustrated by the NPP. On this basis if the role of the Council is simply to achieve industry consensus for directives set by the PSB, then the fact it has non-binding powers ought not to detract from the effectiveness of the Council. However, the consultation document states the "Council is intended to further the ongoing development of the Australian Payments System in order to meet the changing user needs..." (Section 2.0, page 2). This would suggest the Council is also expected to be proactive about change. In these instances our concern is where the Council identifies a change; it may be powerless to make decisions that may be in the interest of the payment system as a whole. In such cases, the only remedy available would be for the Council to appeal to the PSB and have such change form part of the PSB's objectives/goals.

While there is no doubt this is one way to drive the continuous evolution of the payment system, we believe the industry should reach a point where it is better able to self-govern. To this end, someone must be able to ultimately make the decision that is for the good of the majority and the system as a whole, albeit perhaps may not suit all participants. Until now this has been the role played by the PSB, and with the creation of the Payments Council, we have the opportunity to change this and allow the industry to take greater responsibility for the evolution of the payment system.

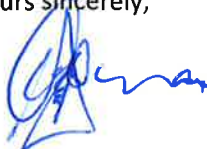
The second concern is with respect to the membership of the Council, more specifically the two positions earmarked for other financial institutions. While we believe these two positions are appropriate, we consider the institutions captured by this group are very wide and their connection paths to the payment system significantly different. A clear defining attribute of these organisations is their corporate structure. One group is member owned organisations and the other publicly listed (including Australian subsidiaries of international banks). The significance of this defining attribute is more evident in the connection path for each type of organisation. Member owned organisations connect through one of three aggregators, namely Indue, Cuscal or ASL who typically provide all clearing and settlement infrastructure. The latter group either connects in their own right (such as the regional banks) or uses agency arrangement through another participant. Importantly these typically represent their own view in contrast to Indue, who represents the collective view of its mutual ADIs.

The diversity these differences create are important and we believe firmly that in order for us to have a well represented Council, the assignment of these two positions should acknowledge the potential for differing perspectives and assign one of the two positions to one of the three aggregators (more logically Cuscal given it represents the large majority of the member owned organisations).

We again thank you for the opportunity to provide feedback and affirm our overall support for the creation of an Australian Payments Council.

In the mean time should you require further information please do not hesitate to contact me on (07) 3258 4250.

Yours sincerely,



Manuel Garcia
Chief Executive Officer