

Establishment of an Australian Payments Council

Joint Consultation by the Reserve Bank of Australia
and the Australian Payments Clearing Association

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RESERVE BANK
OF AUSTRALIA



Australian
Payments
Clearing
Association



Improving
Australian
payments

About this document

This document has been prepared on behalf of the Reserve Bank of Australia and the Australian Payments Clearing Association Limited.

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1.0 Introduction

1.1. Background

In the conclusions to its Strategic Review of Innovation in the Payments System, the Payments System Board (PSB) outlined an approach to fostering innovation in the payments system through more effective cooperation between stakeholders and regulators.¹ As part of this approach, the PSB proposed that there be *'regular and ongoing engagement between it and the industry on strategic objectives and other industry issues'*.² To this end it suggested that *'the Bank work with the industry on constituting an enhanced industry coordination body that would engage directly with the Payments System Board.'*

The Board of APCA, in its capacity as the payments industry self-regulatory body, supports the objective of more direct communication between the industry and the PSB. The APCA Board has resolved to engage with the Reserve Bank as proposed to jointly develop such a body, in consultation with the broader industry.

To facilitate this outcome both APCA and the Reserve Bank undertook a series of informal discussions with industry participants during the latter half of 2012. These discussions focused on the potential benefits of a new coordination body and its possible structure and scope.

As a result of those discussions the Reserve Bank and APCA have jointly developed a proposal for the creation of an Australian Payments Council (Council), whose members will be drawn from and supported by a broader Payments Community.

1.2. Value to Industry

The new Council and the supporting Payments Community will present an opportunity for the industry to seek more effective coordination on important strategic issues and to engage with the regulator to shape the vision for the future of payments in Australia.

It is anticipated that the Council will have the opportunity to share insights with the PSB and to discuss significant trends and issues for the industry, including strategic objectives to be established by the PSB. This is expected to lead to better strategic and regulatory outcomes for the industry and end-users alike.

¹ *Strategic Review of Innovation in the Payments System: Conclusions*, Reserve Bank of Australia, June 2012.

² 'Strategic objectives' refers to the decision by the Payments System Board to from time to time set out services or attributes that it believes the payments industry should be able to provide by a specified time.

2.0 Objectives of the Council

The Council is intended to foster the ongoing development of the Australian Payments System in order to meet changing user needs, while delivering efficient and safe payment services in an environment that encourages competition. It will do this by:

- promoting cooperative industry strategy for the Australian Payments System; and
- engaging in an ongoing dialogue with the PSB.

The role of the Council is to generate common industry positions that it may recommend for action and adoption by the industry, including through other industry vehicles such as APCA. The Council will not have binding powers over industry participants; it will aim to achieve its goals by generating industry consensus and 'buy-in' on key initiatives.

This can be illustrated by considering the role that the Council might play in an initiative such as the current industry proposal to develop a new payments platform (NPP) for providing immediate payments at a retail level.

The NPP has been proposed in response to the initial strategic objectives for the payments system announced by the PSB in June 2012. In this case industry collaboration was achieved by the establishment of the ad hoc Real-Time Payments Committee for the development of an industry proposal and engagement with the PSB on that proposal. A permanent Council could have provided a representative and transparent governance framework to play this role, without the need to establish an ad hoc committee. Not only could it manage the delivery of an industry response to strategic objectives, but the Council would be expected to engage with the PSB on the industry's behalf in the process of establishing those objectives.

Similar to the process for the NPP, the Council would play an overarching coordination role in industry initiatives, but the choice to participate would be a commercial decision for each participant; the Council would have no power to mandate participation in any initiative.

3.0 Proposed structure and governance of the Council

3.1. Proposed Structure

All parties in the payments industry are likely to have an interest in the activities of the Council. It is therefore proposed to establish a framework consisting of two bodies:

- A Payments Community – enabling all interested parties to participate in an exchange of information related to strategic issues for the payments system; and
- The Council – a more focused senior-level body with representative membership drawn from the Payments Community on a rotational basis.

Participation in this framework will be by subscription to a Participation Agreement that incorporates the Charter for the Council and the engagement framework for the Payments Community. Subscribers to the Participation Agreement will collectively form the Payments Community, from which a Payments Council will be drawn.

This structure is broadly similar to the approach adopted for participation in the NPP Program.

3.2. Who may join?

It is intended that the opportunity to subscribe to the Participation Agreement and therefore to be part of the Payments Community will be widely extended. Eligible organisations will include participants in Australian payment systems, operators of Australian payment systems and other organisations with a significant interest in the Australian payments system.³

The Payments Community and the Council are described further below.

3.3. Payments Community

The Payments Community will be established to provide all subscribers to the Participation Agreement with an opportunity to participate in information exchange and consultation with the Council on Council activities.

³ The latter organisations may include service providers to payment systems and participants, other providers of payment services and other stakeholder groups. Eligibility will be determined by the Reserve Bank in consultation with APCA from time to time.

Membership

This broader group will allow those who will not be participating directly in the Council an opportunity to keep informed and to provide views, as the size of the Council will be necessarily restricted. Membership will include all organisations that have subscribed to the Participation Agreement. While the Council will have membership drawn from the payments industry (see 'The Role of End-Users' page 7), it is anticipated that the Payments Community will also be open to other stakeholder groups, to assist in the free exchange of information on the Council's activities.

Communication and Consultation Opportunities

The Payments Community will participate in an exchange of information with the Council in two ways: meetings of the Payments Community and reports or requests for input from the Council between meetings.

It is proposed that the Payments Community meet at least once each calendar year. Depending upon the agenda of the Council, additional meetings may be organised. All subscribers will be eligible to have two representatives at each meeting of the Payments Community.

The purpose of the Payments Community meetings is to provide information and to seek feedback in relation to the work of the Council. In between meetings, documentation disseminating Council information will be provided to Payments Community representatives and views of the Community will be sought on relevant issues.

APCA currently administers the Australian Payments Forum, which brings together industry participants and other stakeholders to discuss matters of common interest. Given the likely broad membership of the Payments Community, APCA will consider how the anticipated meetings of the Payments Community may replace or merge with the Australian Payments Forum.

3.4. Payments Council

Membership

In order to ensure that the Council is able to work effectively in developing industry proposals/positions and engaging with the PSB, its size will be limited. Nonetheless, the Council will need to be able to represent views from a balanced cross-section of the Australian payments system.

To achieve this, Council members will need to be drawn from a number of different categories of interested parties.

The following is proposed as the initial structure for member selection:

- one representative from each of the four major banks;
- two representatives from other financial institutions (including international financial institutions, regional financial institutions, building societies, credit unions and service providers) – *determined by that community (with assistance available from APCA)*;
- two representatives from payment schemes – *selected by the Reserve Bank*;
- one representative from self-acquirers – *selected by the Reserve Bank*; and
- two representatives from facilitators and ‘others’ – *selected by the Reserve Bank*⁴.

The Reserve Bank will be represented by a senior officer, likely an Assistant Governor, and APCA by its CEO.

An independent senior Chairperson will be appointed; independent recruiters will be used to ensure transparency, fairness and appropriate quality.

How will this work?

Rotation of representatives

Representatives (except for those appointed by the major banks) will have a two year term, subject to discretion on the part of the Reserve Bank to vary some terms by six months if considered to be in the interests of the Council.⁵

Seniority of representatives

In order for the Council to achieve the status in the industry required to meet its objectives and to engage effectively with the PSB, Council members will need to be respected senior executives of the organisations they represent, with appropriate expertise. Although alternates will be appointed, their use is expected to be the exception.

3.5. Meetings and Secretariat

It is expected that the Council would meet at least twice a year, more often where necessary. It is envisaged that a joint meeting with the PSB would be held annually. There would be opportunity for any other communication and engagement between the Council and the PSB considered appropriate, including regular liaison between the Chairman of the Council and a representative of the PSB.

⁴ This might for instance include payments processors, telecommunications or network providers and technology providers.

⁵ For example, this may occur if the Council is part way through a significant piece of work and a change in membership would be disruptive.

Secretariat support for the Council will be provided by APCA in the first instance, with the engagement of third parties where necessary. The Council will have the opportunity to appoint another administrator if it chooses.

3.6. Chairman

An independent Chairman will be appointed by the Council following an external search for an independent senior person. APCA will manage the search process and a selection Committee will be appointed to make a recommendation to the Council.

The liaison role of the Chairman would be significant – forming the main link to the PSB between any joint meetings.

3.7. Engagement with the PSB

It is anticipated that, upon formation, the Council will enter into a memorandum of understanding with the PSB, addressing how the two bodies will engage with each other. This might cover arrangements for joint meetings and other communication, along with the issues that might be discussed by the Council and the PSB.

3.8. Fees

Membership of both the Council and the Payments Community will attract fees to cover administration costs. The level and allocation of fees will be left to the discretion of the Council, to be exercised fairly and reasonably. Potential subscribers will be given an indication of likely level of fees for the forthcoming year, although much is dependent upon the work that the Council chooses to undertake.

The Council will be able to waive fees where appropriate so as not to discourage the participation of a broader cross-section of parties with an interest in the payments system. The Council may request that subscribers contribute additional funds towards the implementation of a specific Council proposal, but subscribers will not be obliged to do so.

3.9. Voting

It is expected that the Council will operate in a collaborative and consensus-based way. Voting machinery is included in the Council Charter (part of the Participation Agreement) to ensure that matters may be formally resolved if necessary. In this eventuality, Council members will each have one vote.

4.0 The role of end-users

The Council is intended to provide more effective coordination by the payments industry. Accordingly, its make-up will reflect those who are part of the industry, including participants, system operators, service providers or facilitators.

The perspectives of end-users are very important for the future development of the payments system. The PSB will represent the public interest, including the needs of end-users, in its interactions with the Council. This has been the approach taken by the PSB in the announcement of strategic objectives for the payments system in June 2012.

The Reserve Bank will separately announce an initiative to establish a User Consultation Group to support this approach. End-users or their representatives wishing to participate in the Consultation Group should indicate their interest using the contact details provided below.

Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
Sydney NSW 2001
or
pysubmissions@rba.gov.au

5.0 Feedback sought

Respondents are asked to provide their views on the creation of an Australian Payments Council with the objectives and structure outlined above.

Respondents are asked to comment upon the form of the proposed Council and Community, including:

- the merits of creating a Council and a supporting Payments Community;
- membership and voting arrangements;
- engagement with the Payments System Board;

and any other provisions.

Submissions and Timing

Respondents are asked to provide feedback by **18 November 2013** to:

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Submissions will be published on the APCA website unless respondents indicate that they are confidential. Respondents will have the opportunity to discuss their submission with the Reserve Bank and APCA; those wishing to do so should request this when lodging their submission. Potential Respondents should feel free to contact APCA to seek an earlier discussion if they wish.