

# Real-Time Payments

Summary of RTPC Proposal to the Payments System Board

A clear way forward for real-time, low value payments in Australia.

## The Real-Time Payments Committee

**The Real-Time Payments Committee was formed in September 2012 to develop a clear way forward for the Australian payments industry on real-time, low value payments.**

The catalyst for action was the publication in June 2012 of the Payments System Board's Conclusions to the Strategic Review of Innovation in the Payments System. The Conclusions set out strategic objectives for the development of real-time, low value payments in Australia that could be made out of hours, with more information included and with simpler addressing. In November 2012, the Payments System Board released "Core Criteria" to provide more detail on how proposed solutions would be assessed.

The Committee was chaired by Dr Jennifer Fagg and comprised senior representatives from ANZ, Bendigo Adelaide Bank, Citigroup, CBA, CUSCAL, NAB and Westpac. The CEO of APCA, Mr Chris Hamilton, was also a member of the Committee and APCA provided secretariat support to the Committee.

The Committee lodged the final Proposal with the Payments System Board on 8 February 2013. The Proposal was accepted at the Board's meeting on 15 February 2013.

## The Proposal

The Proposal outlines new business architecture for payments clearing amongst Australian deposit-taking institutions (ADIs), with future access to other approved entities. It will enable ADIs to offer a range of new real-time payment services to businesses and consumers. A clearing utility will connect all financial institutions, link to RBA settlement facilities to enable real-time value transfer and permit automated processing of detailed information along with the payment. It will also include a payments addressing service so that payments can be initiated without specifying full destination account details.

The clearing utility will be able to support multiple "overlay services" – separate payment services that use the basic infrastructure, but are tailored to particular payment needs. An initial, consumer-oriented "convenience" overlay service is proposed to be available as soon as the new clearing architecture comes on line.

The proposed business architecture seeks to maximise economies of scale and beneficial network effects through ubiquitous connectivity and equal access amongst ADIs. It also seeks to promote competition and diversity in payment services that are offered to consumers and businesses. This will be achieved through a layered solution consisting of:

- **Basic infrastructure** which connects all ADIs, links to RBA settlement, enables fast, flexible payments messaging and allows for the future development of tailored overlay payment services using the infrastructure, plus:
- **Overlay services** that use the basic infrastructure to provide ADIs with attractive fast payments services that they can then offer to their business and consumer customers. Multiple overlay services are expected to develop over time.

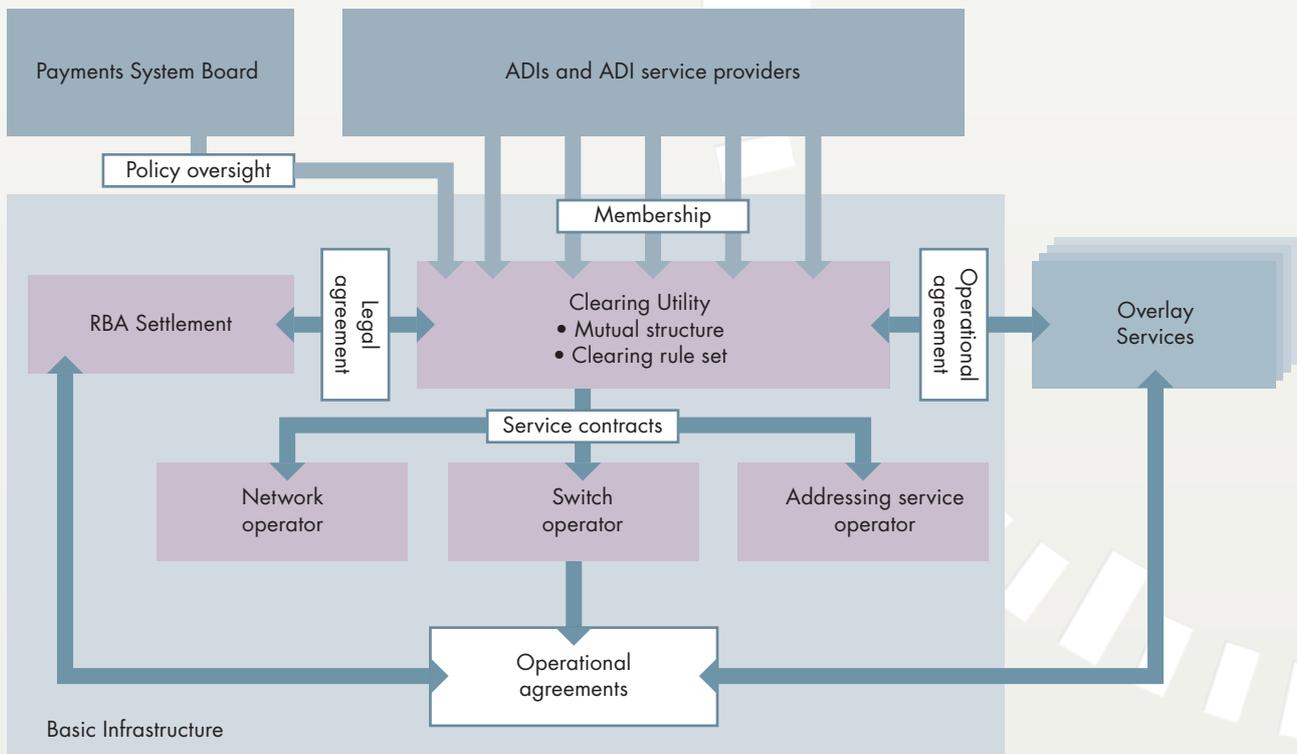
The basic infrastructure will be governed by a new industry clearing utility and would operate on a sustainable cost-recovery basis. All ADIs will be invited to be members of the clearing utility and participants in the basic infrastructure. The core functionality of the basic infrastructure will give ADIs the capability to send and receive a fast credit transfer between customer accounts using an ISO 20022 message format

(allowing for extra data). ADIs will need to connect and be able to receive transfers, but are free to choose what services to offer to their customers using the infrastructure. Receiving ADIs will need to respond by confirming or rejecting the transfer in a short timeframe.

The basic infrastructure would also include an addressing service allowing customers to address payments using information other than the account number of the destination account (such as a mobile phone number), and with the ability to confirm the account destination before execution.

It is proposed that an “initial convenience service” be developed as the first overlay service. The intent is to ensure that a compelling proposition for use of the basic infrastructure is available as soon as possible. It would be developed separately through a new or existing service provider and would be voluntary for ADIs to join. The service would operate as a payment scheme allowing ADIs to deliver an attractive payment service to end users.

The business architecture is illustrated in the diagram below. The detailed business architecture will be reviewed during the initial requirements development and design phase of the RTP Programme.

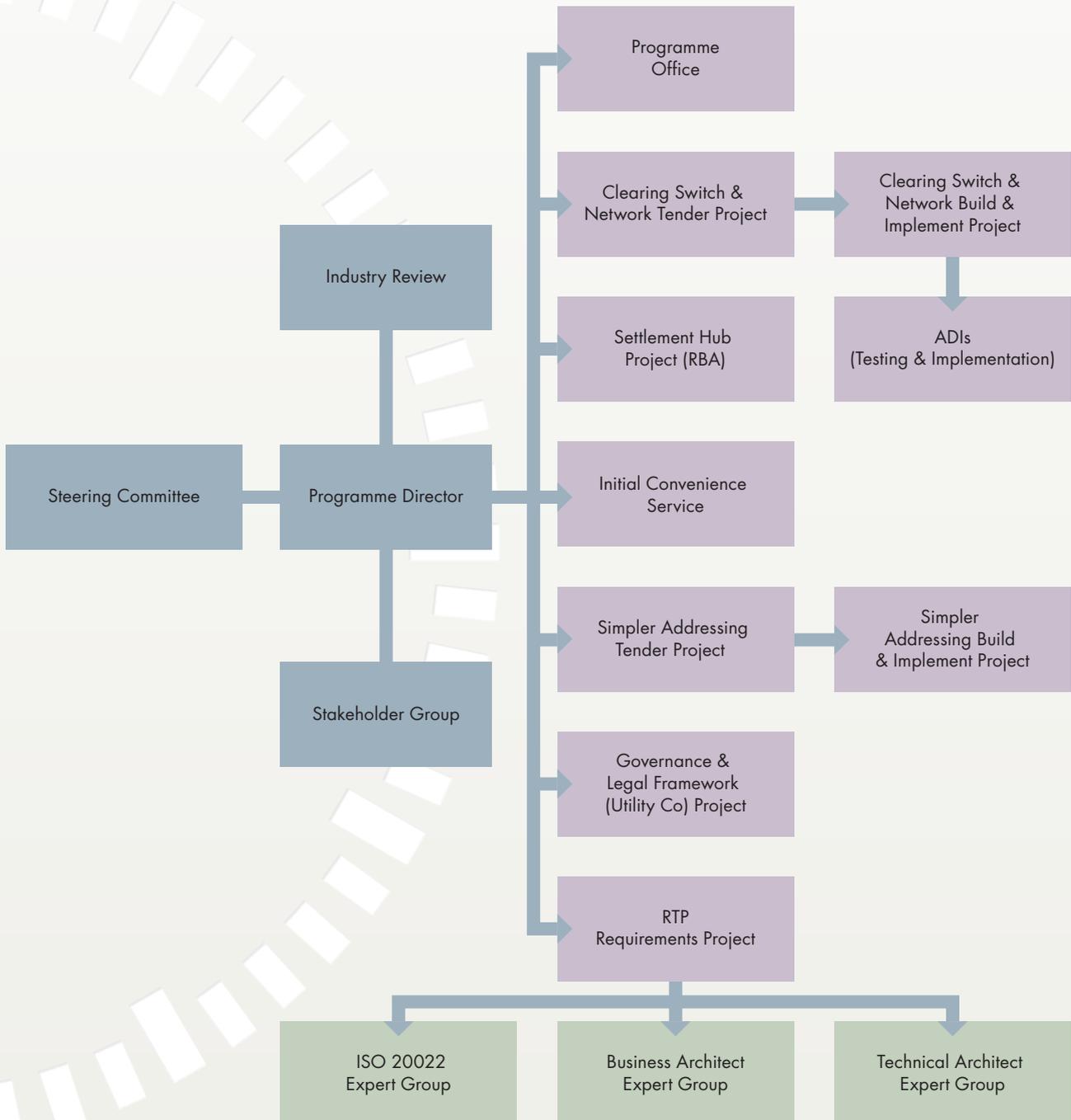


# The Real-Time Payments (RTP) Programme

Implementation of the RTP Programme will be overseen by a programme steering committee, which will include representation from the RBA. The proposal includes details on project governance and structure as well as high-level timelines for the work. A suggested RTP Programme governance structure is provided below.

It is proposed that the Steering Committee select an outsource provider to fill the Programme Director role and to staff the Programme Office.

## Summary of Proposal to the Payments System Board



## The RTP Timeline

The RTP Programme will be launched as quickly as possible. Preparatory work is already underway. Immediate next steps include:

- 1** The Proposal will be published in full on the APCA website.
- 2** APCA will confirm initial seed funding from industry.
- 3** APCA will develop a Memorandum of Understanding and Terms of Reference for a Stakeholder Group of interested participants.
- 4** The Steering Committee will be established.
- 5** The Steering Committee, supported by APCA, will begin selection of an independent outsource organisation for Programme Director and the Programme Office.

An indicative time-line for the RTP Programme is provided below.

