Overview of Australia’s Payment System

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Non-cash Retail Payments
Per cent, 2005

Number

- Debit cards (26%)
- Credit cards (26%)
- Cheques (11%)
- Direct debits (11%)
- Direct credits (11%)

Value

- Direct debits (34%)
- Cheques (16%)
- Credit cards (26%)
- Direct credits (47%)

Memo item:
RTGS payments
(per cent of all non-cash payments)
0.1 76.6
Non-cash Retail Payments in Selected Countries

Number per head, 2004

Transaction cards

Direct entry

Cheques

Sources: ABS; BIS; RBA
Payment Systems Network Structure

- a. bilateral
- b. centralised
- c. IP-based

Leased line connections

IP connections to network
Australia’s Retail Clearing Systems

Reserve Bank of Australia

Australian Payments Clearing Association Board

- Australian Paper Clearings (incl. Cheques)
- Bulk Electronic Clearing System (Direct Entry)
- Consumer Electronic Clearing System (Debit Card)
- High-Value Electronic Clearing System
- Cash Distribution

BPAY

Credit, Scheme Debit and Charge Cards
Regulatory Framework

• Wallis Financial System Inquiry:
  – Considerable potential for increased efficiency
  – Access to all stages of the payments process should be liberalised
  – Wanted more defined governance - PSB
Payments System Board

- Responsible for the Bank’s payments system policy
- Regulatory powers to ensure safety, greater competition and efficiency in the payments system, consistent with overall financial stability
- Eight members
- Six members are not from the Bank
Payment Systems (Regulation) Act

- Bank may designate payment systems
- Make standards
- Impose access regime
- Arbitrate disputes
- Give directions
Co-Regulation

• “The philosophy of the Bill is … co-regulatory. Industry will continue to operate by self-regulation in so far as such regulation promotes an efficient competitive and stable payments system.”

• RBA investigates and consults extensively before using powers under designation.
Payment System Regulation and Competition Policy

• RBA has mandate to promote competition in payments
• More usually this mandate falls to a competition policy regulator
• Active rather than reactive
Relationship with Competition Regulator (ACCC)

- Payments systems often rely on co-operative arrangements
- Arrangements between competitors potentially breach the Trades Practices Act 1974
- If judged in the public interest arrangements may be authorised by ACCC
- MOU between RBA and ACCC signed in September 1998
MOU with ACCC

- ACCC is responsible for ensuring payment system arrangements comply with competition and access provisions of TPA
- If the RBA uses its powers to impose an access regime / standards then participants of the payment system are not at risk under TPA
Oversight of Payment and Settlement Systems

CPSS Report sets out 5 key principles:

- Transparency: CBs to publish oversight policies
- International standards
- Effective powers and capacity
- Consistency
- Co-operation with other authorities
Oversight in Practice

- CPSIPs commonly used for high value
- Process of assessment, seeking changes, sometimes publication
- Approaches to retail less uniform
Retail Payments Oversight

- Responsibilities and powers of CBs vary
- No widely accepted principles for retail systems
- ECB, B of E, FED have used CPs or subsets
- Above are all system specific
## Approaches to Oversight

<table>
<thead>
<tr>
<th></th>
<th>System</th>
<th>Broader</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Risk</td>
<td>Efficiency/risk</td>
</tr>
<tr>
<td>Which systems?</td>
<td>Values</td>
<td>Values/Numbers</td>
</tr>
<tr>
<td>Benchmark</td>
<td>Core Principles</td>
<td>Economic Concepts</td>
</tr>
</tbody>
</table>
Thank You