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Innovation in Cards, Online and Mobile Payments

Payments Australia, Sydney

# Strategic Review of Innovation in the Payments System

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# Strategic Review of Innovation in the Payments System

## One year in...

- Consultation paper
- Formal stage of consultations
- Submissions due 31 August
- Followed by face-to-face meetings
- And round-table discussions
- Conclusions – early 2012



# Key gaps in the system

- Faster payments
- More convenient payments
  - addressing
  - straight-through processing
  - inclusion of (rich) data
- Common message standards



# Governance...

## Another key priority for the review

- Challenge: develop a governance structure that supports innovation
- Two types of innovation:
  - i. Proprietary
  - ii. System-wide



# Governance to support system-wide innovations...

## Real-time payments in Australia...?

- Current shortcomings...
  - within-day options: cash, visit a branch, within-bank, RTGS?
- Not a lack of proprietary innovation...
  - ...problem is guaranteeing timely throughput of payments...
  - ...requires system changes and a degree of co-operation

## Data with payments...?

- Cannot ensure receiving institution accepts message...
  - ...requires system changes and a degree of co-operation



# Why is co-operation so hard?

- Network externalities
- Devaluation of existing infrastructure
- Generating sufficient network size
- Synchronisation and competing demands for resources
- Competition laws



# Co-operation

## What can be done?

- Role for the Payment Systems Board and the Reserve Bank
- Role for APCA
- Role for others – new entrants, customers (private and public)
- Flexibility to deal with evolving issues and promote longer-term strategic objectives
- Existing commercial interests – expertise, incentives to innovate
- Payment hubs and centralised structures



# Uncertainty and Innovation

## Many sources of uncertainty and risk

- Technology
- Demand
- New suppliers/networks
- Regulatory landscape





# Summary

- Strategic review
- Focus of consultations
  - meeting needs of end users – speed, convenience, standards
  - better governance – to help overcome factors inhibiting innovation
- Uncertainty is important factor inhibiting innovation
  - much of it is unavoidable, especially in a competitive environment
  - but some could be reduced *for industry overall*
- Cannot regulate innovation into existence, nor is it sensible for policy makers to pick winners



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by 31 August