

Functions and Objectives of the Payments System Board

The responsibilities of the Payments System Board are set out in the *Reserve Bank Act 1959*. In particular, the Act requires the Board to determine the Reserve Bank's payments system policy so as to best contribute to:

- controlling risk in the financial system
- promoting the efficiency of the payment system
- promoting competition in the market for payment services, consistent with the overall stability of the financial system.

In order to give effect to these responsibilities, the Reserve Bank has powers that are set out in two Acts: the *Payment Systems (Regulation) Act 1998* and the *Payment Systems and Netting Act 1998*.

Under the *Payment Systems (Regulation) Act*, the Reserve Bank has the power to designate payment systems and set standards and access regimes in designated systems. The Act also sets out the matters that the Bank must take into account when using these powers. The *Payment Systems and Netting Act* provides the Bank with the power to give legal certainty to certain settlement arrangements so as to ensure that risks of systemic disruptions from payment systems are minimised.

The Reserve Bank also has a formal regulatory role to ensure that the infrastructure supporting the clearing and settlement of transactions in financial markets is operated in a way that promotes financial stability. In particular, the *Reserve Bank Act* gives the Board responsibility for ensuring that the powers given to the Bank in Part 7.3 of the *Corporations Act 2001* are exercised in a way that, in the Board's opinion, will contribute to the overall stability of the financial system. These powers include the power to determine financial stability standards for licensed clearing and settlement facilities.

This Report discusses the activities of the Board during 2011/12.

