Innovation in the Payments System

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Review of Payments System Innovation

One year in...

- Consultation paper
- Formal stage of consultations
- Posting of submissions
- Face-to-face meetings
- Round-table discussions
- Conclusions – early 2012
Governance and Innovation

Key priority for the review

• Challenge: develop a governance structure that supports innovation

• Two types of innovation:
  i. Proprietary
  ii. System-wide

• Why co-operation is hard?

• What could be done to improve it?
Key gaps in the system

(Identifying these will help set agenda and priorities)

• Faster payments

• More convenient payments
  – addressing
  – straight-through processing
  – inclusion of (rich) data

• Common message standards
Governance and Innovation

Some analogies

• Telecommunications and transport industries
  – movement of things – timely, reliable, convenient
  – different modes, costs, needs
  – private and public infrastructure
  – rules/standards

• Some early problems with governance...railway example

• A monopoly solution to governance...?
  – M-PESA
Governance and Innovation

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 co-operation.

Data with payments...?

- Similar problems – cannot ensure receiving institution accepts message?
Governance and Innovation

Why is co-operation so hard?

• Network externalities
• Devaluation of existing infrastructure
• Generating momentum
• Synchronisation
• Competition laws
Governance and Innovation

Some ways forward and useful features...

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