

# Outcomes from the Strategic Review of Innovation

The Payments System Board continues to take an active interest in innovation in the payments system and industry governance. The past year has seen considerable progress towards the scheduled 2017 launch of the New Payments Platform, the infrastructure to support fast payments in Australia, as well as the release of the Australian Payments Plan by the Australian Payments Council.

## New Payments Platform

In 2012 the Board released the conclusions from its Strategic Review of Innovation in the Payments System, including an initial set of strategic objectives for the payments industry. The objectives included the ability to: make and receive real-time retail payments; make and receive payments outside normal banking hours; send more explanatory information with a payment; and send payments without having to use full Bank State Branch (BSB) and account number details. Responding to the Board's objectives, an industry-coordinated committee proposed a purpose-built payments infrastructure, the NPP.

Development of the NPP is progressing well and the Board of NPP Australia Limited (NPPA) remains committed to launching the NPP in late 2017. Work is underway to establish a corporate structure for NPPA and a CEO has recently been appointed. In May 2016 a new participant joined the project, bringing the number of financial institutions committed to funding the building and operation of the NPP to thirteen.

The platform over which NPP payments will be sent, the Basic Infrastructure (BI), is being designed and built by SWIFT. Over the past year the project

has progressed from the design phase to the 'build and internal test' phase. BPAY was appointed to develop the first overlay service to use the NPP. This service will enable participants to offer their customers person-to-person mobile payments with funds available almost immediately to the recipient even if the two parties are not customers of the same institution. Over time, other overlay services will be developed to facilitate a variety of payment types. To facilitate the settlement of NPP payments individually in real time, the NPP will connect to a Fast Settlement Service (FSS). The FSS is being built by the Bank and is also progressing to timetable. A significant milestone was recently achieved with the implementation of SWIFT infrastructure at participants' sites and the first basic test payments being made, including through the FSS.

The Board welcomes the significant progress to date and recognises the commitment of participants to allocate resources to the program. Industry's continued collaboration and commitment will be vital if it is to deliver this new payments infrastructure on time.

## Australian Payments Council

In line with another recommendation of the Strategic Review, the Australian Payments Council

was established in 2014 to enhance industry coordination in dealing with the cooperative issues that arise in the payments system and to represent the industry directly in discussions with the Payments System Board. The council draws members from a broad community of payments organisations including financial institutions, card schemes, retail acquirers and other payment service providers, as well as APCA and the Reserve Bank (in its role as provider of banking services to the government).

In conjunction with the establishment of the council, a Payments Community was established to ensure the free flow of information between the council and the broader industry. Membership of the Payments Community is open to any organisation with a significant interest in the Australian payments system; at the end of June, 37 organisations had joined the Payments Community.<sup>11</sup>

The council met with the Board for the first in time in August 2015. At that meeting, a Memorandum of Understanding (MoU) was signed, setting out a framework for engagement between the two bodies with the aim of promoting an efficient, stable and competitive payments system in Australia that is responsive to changing community needs.<sup>12</sup> The Board looks forward to a productive relationship with the council in the years to come.

The first major piece of work undertaken by the council was the release of the Australian Payments Plan in December 2015.<sup>13</sup> The plan seeks to provide strategic direction on the desirable characteristics, trends and systemic challenges for the Australian payments system over the long term. The plan notes that the Australian payments industry is well positioned

to embrace a rapidly changing payments environment, including the shift from paper payments to electronic payments, the adoption of new technologies, such as contactless cards, and the growth in online payments. However, three areas were identified as warranting further industry initiatives or collaboration: digital identity management and cyber security; managing Australia's payments mix as digital payments become more prevalent; and enabling the next wave of technology innovation. The plan identifies a number of high-level initiatives to address these areas that will inform the council's work agenda over the coming years.

The Payments Council has undertaken to publish an annual report that details the status of the plan and progress made towards the established initiatives. Additionally, the council will undertake a triennial review of the plan to ensure it remains fit for purpose.<sup>11</sup>

### Payments Consultation Group

The Bank established the Payments Consultation Group in December 2014, with the aim of providing a more structured mechanism for users of the payments system (consumers, merchants, businesses and government agencies) to express their views on payments system issues as an input to the payments policy formulation process. The Payments Consultation Group helps to ensure that the Board is well informed of end user needs and views in its interactions with the council and in its other policy work.

The group met once in 2015/16. In addition, group members provided substantial input to work undertaken by the Bank to better understand trends and patterns of cheque usage by end users of the payments system.<sup>14</sup> The Board appreciates the willingness of participants to engage in this process.

<sup>11</sup> Membership of the Payments Community is available at <<http://australianpaymentscouncil.com.au/payments-community/>>.

<sup>12</sup> The MoU is available at <<http://www.rba.gov.au/payments-and-infrastructure/payments-system-regulation/pdf/memorandum-2015-08-21.pdf>>.

<sup>13</sup> Available at <<http://australianpaymentscouncil.com.au/wp-content/uploads/2015/12/Australian-Payments-Plan-December-2015.pdf>>.

<sup>14</sup> Refer to Richards T (2016), 'The Ongoing Evolution of the Australian Payments System', Speech at the Payments Innovation 2016 Conference, Sydney, 23 February.