

AUSTRALIAN PAYMENTS FORUM COMMUNIQUE¹

Monday, 10 October 2011

What does Good Payments System Self-Governance look like?

The seventh meeting of the Australian Payments Forum (APF) was held in Sydney at the Intercontinental Hotel on Monday, 10 October 2011, convened by Professor Ian Harper. 39 participants from 28 organisations including merchants, financial institutions, card schemes, consumer organisations and industry associations met to consider the topic of governance in the payments industry.

Representatives of the RBA and Treasury were also in attendance.

At the previous meeting of the APF held in June 2011, Forum participants discussed ways in which industry participants could work together to develop self-regulatory solutions to payments system issues without the need for intervention by government. The Forum agreed that the best way to develop a suitable framework to achieve this objective needed further discussion.

In the RBA's Strategic Review of Innovation released this year for comment, the issue of industry governance formed an important component of the review.

Accordingly, the theme for this Australian Payments Forum meeting was: 'What does good payments system self-governance look like?'

The meeting opened with a review of the work of the Canadian Payments Task Force, which has just concluded a public consultation on the future evolution of the Canadian payments system. As a contributor to some of the scenario planning workshops, Mr Hamilton, CEO of APCA, noted that the work being undertaken in Canada illustrates that promoting good payment system governance is a challenge facing many countries.

Discussion began with participants' views on what the goals of governance in the payments system should be.

Participants identified the following principles that should determine the goals of payment system governance:

- Safety and security
- Sustainability/Efficiency
- Competition
- Innovation

Some participants felt that governance should be directed at network efficiency and systemic innovation rather than proprietary innovation. A number of participants agreed that business cases supporting systemic innovations were important.

¹ The Australian Payments Forum has been established to promote industry-based and non-regulatory initiatives in the Australian payments system as a means of enhancing efficiency, security and competition with minimal regulatory overlay. Participants include senior representatives from financial institutions, card schemes, merchants, consumer groups and industry representative bodies.

Some participants argued that a strong and engaged regulator was important. Other participants argued that no change to the current regulatory framework was necessary.

Participants then discussed whether or not they believed there were any gaps in the current governance framework for the payments system, and where the line between the responsibilities of the public regulator and a self-regulatory organisation (SRO) should lie.

While there were a range of views on whether a gap existed and whether a greater role for industry self-regulation was desirable, further discussion centred on:

- who would be represented in any enhanced self-regulatory body;
- how this body would be constituted and how it would make decisions; and
- the powers such a body would require to make it effective

The potential for APCA to become a self-regulatory body was also considered, including how APCA might reform its governance structure if it were to assume the role of SRO for the Australian payments system.

Participants noted that the Forum debates were useful input both to APCA's work on its own governance reform (which APCA will present to the industry early in 2012) and the deliberations of the RBA in its Strategic Review on Innovation, the results of which are due before July 2012.

Ian R. Harper
CONVENOR