



6 February 2023

Director – Payments Strategy and Policy Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: paymentsconsultation@treasury.gov.au

Dear Sir/Madam

A Strategic Plan for the Payments System

The Australian Financial Markets Association (AFMA) welcomes the opportunity to comment on the consultation paper: A Strategic Plan for the Payments System.

AFMA supports the establishment of a Strategic Plan for the payments system and is pleased to provide some views. AFMA supports many of the initiatives outlined in the paper and sees significant scope for the combined efforts of industry and Government to improve payments outcomes.

As a starting point, we believe it is important that the technically advanced, world leading state of the payments infrastructure and its highly reliable and efficient functioning be recognised as an important and substantial national achievement. This outcome suggests that the largely market-based system that has developed this infrastructure should not be unduly undone or overridden.

AFMA recognises the fine work done by RBA in the payments space to this point but agrees with the Government that it more appropriate for strategic directions to be set by the Government which is better placed in relation to the wide range of policy matters relevant to payments which include geostrategic matters.

We suggest that it is important that the plan strikes the right balance when providing leadership in payments that is supportive of the large private sector investments and innovations that have been made and will continue to be needed. A successful plan will

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create an environment for firms to innovate, will allow firms to keep costs low and will avoid unnecessary regulatory costs.

Maintaining wholesale efficacy in relation to payments will allow firms to efficiently create and use the infrastructure they need to provide low cost consumer outcomes. If the wholesale nature of the infrastructure is not maintained, that is, if payments infrastructure is regulated in too retail a fashion, this could, counterintuitively, lead increases in costs for end consumers.

Yours sincerely

A handwritten signature in cursive script that reads "Damian Jeffree".

Damian Jeffree
Senior Director of Policy

Key principles

1. What are your views on the proposed key principles? Are there other principles that should be included? Please provide an explanation.

AFMA supports the proposed principles of Efficiency, Innovation and Trustworthiness as broadly appropriate.

In relation to Accessibility, while there is no question that the payments system should have levels of appropriate access, we note that payments is at the very core of the financial system and therefore there is the potential for systemic consequences should problems occur. This would suggest that caution is the appropriate mode when setting access arrangements.

The paper correctly notes the benefits of allowing greater access. However, there are costs that also should be considered with increasing access to this core system. Information security, in particular, is a significant challenge even for experienced and well-resourced participants. Any increase in access should not compromise the current levels of protection.

We suggest the better framing principle might be 'Availability'. There is not the same need to qualify the word 'Availability' as the utility of the system should be available either directly or intermediated as appropriate.

In relation to 'Efficiency', which we agree is an appropriate key principle, it is noted that the Consultation Paper advocates for the promotion of interoperability through increased use of common standards and infrastructure amongst domestic and cross-border payment systems. In our view, a key aspect of promoting efficiency through interoperability for cross-border payments is harmonisation of the reporting requirements for such payments through aligning the Australian requirements with those of the counterparty jurisdiction. In particular, the Australian reporting requirements for International Funds Transfer Instructions (IFTIs) are out-of-step with comparable jurisdictions. Accordingly, we recommend that as the Government develops its Strategic Plan to enhance the efficiency of Australia's payments system, that the efficiency and interoperability of reporting requirements associated with payments are appropriately considered.

Key priorities

2. What are your views on the proposed key priorities? Do they provide enough certainty on what the key priorities are for the Government? Are there other matters that should be included? Please provide an explanation.

AFMA strongly supports measures to reduce and avoid fraud and scams.

In relation to Information Security, AFMA advocates for a principles-based approach that supports the use of internationally popular standards such as NIST and ISO.

We note that a key priority should be retaining an environment that supports ongoing private sector investment.

While alignment with CDR licencing is sensible, the mandated approach to standards in CDR has proven a complex and costly approach, and extension of this regulatory approach is unlikely to be efficient.

Key initiatives

3. What are your views on the proposed key supporting initiatives? Are there other initiatives that could be included in the Plan? Please provide an explanation.

We see the high-level initiatives as broadly appropriate.

4. Do you have any feedback on the proposed approach for any of the initiatives (as outlined in Attachment B)? Please provide an explanation.

AFMA supports the work on scams reduction, and the payments system has a role to play. A key plank of reforms must include work to limit the promotion of scams which lies beyond the scope of this consultation.

In relation to regulation against cyber-attacks. AFMA supports clear and consistent regulations that leverage international standards. We note that the regulations for ADIs are already extensive and this has been recognised by the critical infrastructure regime.

It is critical that new entrants into payments are required to have the same high standards as ADIs. We note that CDR participants in its current read-phase have significantly lower information security requirements and this is not appropriate to continue into the write-phase of CDR.

AFMA supports work to increase international interoperability. Common standards support better workability and outcomes, and it is important this work receives appropriate priority.

AFMA members found the amendments to the Telecommunications Regulations 2021 very helpful in assisting them to protect their clients. We note that extension of the program to sufficiently large and sophisticated ASIC regulated firms would similarly have assisted these firms protect their millions of customers.

AFMA supports the aim to modernise payments infrastructure but also acknowledges and approves of the proposed support for the ongoing use of cash.

AFMA supports the CBDC trials which show promise in reducing risk, cost and complexity in the management of margin and other large payments.