

STATEMENT OF EXPECTATIONS – PAYMENTS SYSTEM BOARD

1. This Statement sets out the Government's expectations for the Payments System Board (PSB), including where the Reserve Bank of Australia acts in support of the PSB. It outlines the Government's expectations for how the PSB balances its objectives, anticipates and responds to changing circumstances in the context of the Government's policy priorities. It also outlines expectations for how the PSB manages its relationships with the Government, other agencies and regulators, and issues of transparency and accountability.
2. The Government recognises and respects the independence of the PSB and its responsibility for determining the Reserve Bank's payments system policy, including policy in relation to financial market infrastructure, as provided by the Reserve Bank Act 1959 (the Reserve Bank Act). To maintain confidence in the regulatory framework, it is imperative that the PSB acts, and is perceived to act, independently and objectively in performing its functions and exercising its powers as set out in statute.
3. The PSB was established to administer a regulatory framework that implements Government policies and priorities relating to the efficiency and competitiveness of the payments system, consistent with financial system stability. The Government therefore expects that the PSB takes into account the Government's policy priorities in performing its role and discharging its responsibilities.
4. The PSB is expected to reply to this Statement with its own Statement of Intent.

THE PSB'S ROLE

5. The PSB is responsible for determining the Reserve Bank of Australia's payments system policy with the goals of controlling risk in the financial system; promoting efficiency in the payments system; and promoting competition in the market for payment services, consistent with overall financial system stability.

BALANCING OBJECTIVES FOR THE FINANCIAL SYSTEM OF THE FUTURE

6. The Government values a safe and efficient payments system and recognises that it is essential to support the day-to-day functioning of the Australian economy and financial system. Payment systems are a major channel through which financial shocks can be transmitted across domestic and international markets.
7. The Government expects the PSB to monitor and assess emerging and extant risks in the payments system, particularly to ensure that identified risks are managed appropriately in financial market infrastructure and systemically important payment systems.
8. However, the PSB cannot, nor should it seek to, eliminate all risk in the payments system – a regulatory approach with such a goal would unnecessarily impede innovation and competition in the payments system.

9. In addition to payments system safety and stability, the PSB has specific statutory responsibility and powers to promote efficiency and competition in the payments system. The Government therefore expects the PSB to conduct itself and set policy in a way that demonstrates a strong commitment to the development of an efficient and competitive payments system. In that regard, the PSB's regulatory focus should be directed towards removing barriers to entry and ensuring that all current and potential providers of payments services are able to compete on a level playing field.
10. The Government also expects the PSB to publicly communicate how it balances its regulatory responsibilities, including competition aspects, in meeting its objectives.

RESPONDING TO CHANGING CIRCUMSTANCES

11. In achieving its statutory objectives, the Government recognises that the PSB's priorities may change over time in response to emerging trends in the payments system. The Government expects the PSB to manage and allocate resources consistent with a risk-based assessment of its external environment.
12. In particular, dynamic advances in digital technology are driving a period of rapid innovation in payments systems, with the potential to dramatically improve the ease with which consumers interact with the financial system and improve the efficiency of the financial system and how it funds future economic growth.
13. To maximise the benefits of this digital revolution, the Government's strong expectation is that the PSB create a regulatory environment in which the payments system is allowed, where appropriate, to self-adapt to innovation and change.

THE GOVERNMENT'S POLICY PRIORITIES FOR THE FINANCIAL SYSTEM

14. The Government's financial system agenda seeks to position Australia's financial system to best respond to the challenges and opportunities of the future. This agenda aims to: strengthen the resilience of the financial system; improve the efficiency of the superannuation system; stimulate innovation in the financial system; support and empower consumers of financial products so that they are treated fairly; and strengthen regulator capabilities and accountability.
15. The Government wants to support and foster a culture of innovation and is committed to developing and administering policy settings that facilitate, rather than impede, new market entrants. Excessive regulatory and compliance costs can act as a barrier to new entrants, which can deny competition and the adoption of new technologies.
16. In that regard, the Government believes that clearer graduated regulation will support innovation in the payments system. The Government expects the PSB to work with the Council of Financial Regulator agencies to ensure that the regulatory framework is appropriately graduated to facilitate new payments systems such as digital currencies and other payment systems as they emerge.
17. The Government also expects the PSB to monitor surcharging and interchange fee arrangements and regularly assess whether additional action is required to further increase the efficiency of the payments system and protect the interests of consumers.

18. The Government is committed to ensuring that Australia is positioned to benefit from the greater use of data. Increased data has the potential to boost innovation and to help Australia to remain globally competitive. The Government expects the PSB, together with other relevant regulators, to facilitate the greater sharing of Government data, taking into account privacy concerns and other legislative responsibilities. Over time, the PSB is expected to develop a data policy that is consistent with the Government's commitment to facilitate more effective use of data in the financial services sector, to better empower consumers and serve their needs.

THE GOVERNMENT'S PRIORITIES FOR REGULATORY REFORM

19. The Government is committed to reducing red tape and compliance costs for business and the community as part of broader regulatory reforms that encourage innovation and competition, and enhance productivity and economic growth. The Government acknowledges the role the PSB has played in implementing the Government's Regulatory Reform Agenda, including its contributions towards reducing red tape. The Government expects the PSB to look for further opportunities to reduce red tape and contribute more broadly to the Government's renewed regulatory reform agenda.
20. The Government also expects the PSB to comply with the Government's Regulatory Impact Analysis requirements for all regulatory proposals. These include using the Regulatory Burden Measurement framework when considering the impacts of regulation on business and the community and costing proposals before they are introduced.
21. The PSB should act in accordance with regulatory best practice in its decision-making, policies, processes and communication with stakeholders to maximise effectiveness, efficiency and transparency, and minimise compliance costs. The Government expects the PSB to regularly review its policies and procedures to identify improvements to achieve best practice in these areas.
22. The Government expects the PSB to minimise the compliance costs for regulated entities that arise in the course of the PSB fulfilling its mandated regulatory objectives. The PSB is subject to the Regulator Performance Framework, which requires regulators to make an annual assessment of their performance in minimising compliance costs arising from the administration of regulation.
23. The Government's preference is for principles-based regulation, which identifies the desired outcomes and allows industry participants to achieve the outcomes in their own way, rather than prescribing specific conduct. A principles-based approach is more flexible and more likely to accommodate change within the economy, allow for innovation and enterprise and reduce compliance costs by allowing regulated entities to determine the best way to meet regulatory objectives.

RELATIONSHIP WITH THE REGULATED POPULATION AND INDUSTRY STAKEHOLDERS

24. The Government expects the PSB to have an open and sound working relationship with regulated entities and ensure that industry participants are encouraged to communicate considered and candid views to the PSB.

25. The Government expects the PSB to actively and regularly engage with regulated entities and industry, particularly in order to clearly communicate the evidence base and approach used in the regulatory decision making process.
26. Where the PSB has powers to make orders or rules and the exercise of that power would have significant implications for the market or regulated population, the Government expects the PSB will consult with stakeholders in a way that affords sufficient opportunity for any proposed changes to be responded to and to provide appropriate time to implement any resulting regulatory change.
27. The Government also expects the PSB to identify opportunities to collaborate with the private sector in regulating and monitoring payment systems where collaborative partnerships (including co-regulation, quasi-regulation or self-regulation) could deliver better regulatory outcomes.

RELATIONSHIP WITH THE GOVERNMENT AND THE RESPONSIBLE MINISTERS

28. The PSB plays an essential role in ensuring that the Government is well placed to respond promptly to issues that may arise in payments system and financial market infrastructure policy. This includes informing the Government about problems that the PSB foreshadows or has encountered in performing its regulatory functions.
29. The Government expects the PSB to provide Treasury portfolio Ministers with accurate and timely advice on significant issues in the PSB's core areas of responsibility. Examples include matters which the Government will be required to address in Parliament, important operational issues, the licensing and supervision of financial market infrastructure, and decisions regarding the appropriate action to be taken following substantial problems or disruption in the payments system or in financial market infrastructure.
30. The Minister and the Chair of the PSB will meet at least annually to discuss the PSB's performance and matters of relevance to the payments system and financial market infrastructure.

RELATIONSHIP WITH THE TREASURY

31. The Government expects the Treasury and the PSB to maintain a close relationship to support the Treasury's role in advising the Treasury Ministers. This is an important way for the PSB to contribute to policy development.
32. In working with the Treasury, the Government expects the PSB to:
 - provide the Secretary to the Treasury with a copy of all information, briefings, press releases and correspondence provided to Ministers, including on the licensing and supervision of financial market infrastructure;
 - keep the Secretary to the Treasury appropriately informed of significant meetings between the PSB and Government Ministers and other Parliamentary bodies; and
 - advise the Treasury about changes to legislation that, in the PSB's opinion, would assist in improving the regulatory framework in a manner that minimises compliance costs for business and the community.

RELATIONSHIP WITH OTHER GOVERNMENT BODIES AND REGULATORS

33. The Government expects the PSB to maintain collaborative working relationships with other Commonwealth and State and Territory agencies (including the agencies of the Council of Financial Regulators (CFR)), the PSB's counterpart regulators in overseas jurisdictions and international regulatory bodies.
34. The Government acknowledges the Memorandum of Understanding between the Australian Competition and Consumer Commission (ACCC) and the Reserve Bank and expects the PSB to work closely with the ACCC to take a consistent approach to policies on access and competition in the payments system and financial market infrastructure.
35. The Government expects the PSB to work with the CFR and other government bodies to identify and make the Government aware of emerging developments and gaps in regulation that could pose systemic risks.
36. The Government expects the PSB to avoid duplication with the supervisory activities of other regulators and consider whether outcomes could be achieved by relying at least in part on existing regulation administered by another regulator, or other collaborative arrangements. This is to ensure an integrated regulatory framework and to reduce compliance costs for regulated entities.
37. The Government expects that the PSB consider the outcomes or recommendations of relevant Government established panels, reviews or inquiries.

TRANSPARENCY AND ACCOUNTABILITY

38. The PSB operates as part of the Australian Government and is accountable to the Parliament, and ultimately to the public, through the Treasury Ministers, the Parliamentary Committee process and reporting via the tabling of the Reserve Bank of Australia's (RBA) Annual Report.
39. The Government expects the PSB to provide regular external communications on key decisions and regulatory outcomes. These should be made publicly available as soon as possible, and should clearly articulate the basis for these decisions and how the intended outcomes align with the PSB's legislated objectives and strategic priorities.
40. The Government expects the PSB to comply with the requirements of the whole-of-government performance management framework under the Public Governance, Performance and Accountability Act 2013 (PGPA Act).
41. In particular, the Government expects that the PSB will integrate performance measures into the RBA Corporate Plan and subsequently report on outcomes against each measure in the RBA's Annual Report. The Government will assess the PSB's performance against these measures as part of its oversight function in determining whether the PSB is successfully achieving its objectives.

CONCLUSION

42. The Government's vision is for the PSB to be a strong and transparent regulator that safeguards the stability of critical payments infrastructure whilst facilitating a highly

competitive and efficient payments system, where participants operate on a level playing field and are able to rapidly adopt new technologies.