



# Regulation of Payment Service Providers

The Albanese Government is updating the payments regulatory framework to ensure it is fit for purpose for the modern economy. The proposed licensing framework for payment service providers will ensure payment services including new payment technologies are appropriately regulated.

In addition, the RBA will be able to authorise industry bodies to ensure better alignment of core technical standards in the payments ecosystem.

## Overview of reforms

The reforms leverage Australia’s existing regulatory architecture, while recognising that industry bodies remain best placed to develop the technical rules and standards for participants in the ecosystem.

<b>Prudential regulation</b> Major stored-value facilities and designated PSPs	APRA	Manage financial and stability risks
<b>Prudential regulation</b> Common access requirements for payments clearing and settlement		Improve access to payment systems
<b>Financial services regulation</b> All PSPs performing a payment function	ASIC	Protect payment service users
<b>Technical industry standards</b> All payment participants and payment system operators where a standard applies	Industry body authorised by RBA	Broad and consistent adoption of core standards

## AFS licence for payment service providers

The following payment functions are proposed to be regulated:

- Stored-value facilities ('traditional SVFs')
- Payment stablecoins ('payment stablecoin SVFs')
- Payment instruments
- Payment initiation services
- Payment facilitation services
- Payment technology and enablement services
- Cross-border transfer services

Payment service providers (PSPs) undertaking a function above will need to obtain an Australian Financial Services Licence (AFSL). Some PSPs will be subject to additional APRA regulation.

Payment stablecoins are proposed to be regulated under the SVF framework as they offer features that are functionally similar to fiat currency held in traditional SVFs.

### **PSPs will need to meet the obligations under the AFSL framework**

These obligations include:

- providing financial services efficiently, honestly, and fairly
- managing conflicts of interest
- having a dispute resolution system for retail clients
- having arrangements for compensating retail clients
- meeting solvency and cash reserve requirements
- keeping and submitting financial records

### **A number of specific requirements will apply to PSPs**

These specific requirements include:

- additional financial requirements, including holding surplus liquid funds and adjusted surplus liquid funds
- client money rules for PSPs that hold client funds.

### **Some existing exemptions will be maintained**

Including for low value payment facilities and credit facilities.

## APRA licence for Major Stored-value facilities (Major SVFs)

SVFs are payment services that enable customers to store funds in a facility for the purpose of making future payments. These services are increasingly important in the payments ecosystem. The reforms will modernise the regulatory framework for SVFs.

SVFs (including payment stablecoins) will be subject to a graduated regulatory framework, with Standard SVFs requiring an AFSL and Major SVFs (over \$100m in stored value) requiring an additional APRA licence.

## Common access requirements for payment systems

Non-bank PSPs are currently not eligible to become direct clearing and settlement participants in the New Payments Platform and are subject to additional conditions in other payment systems.

The common access requirements (CARs) will provide a pathway for non-bank PSPs to gain direct access to Australian payment systems to clear and settle payments, promoting more competition in payments. APRA would be responsible for setting and supervising the CARs.

## Industry standard-setting framework

A standard-setting framework will be introduced for core technical standards developed by an authorised standard-setting body (or bodies) where the existing voluntary standards are inadequate.

## ePayments Code

The Government will introduce a mandatory ePayments Code, to replace the existing voluntary Code. This will ensure consistent consumer protection for unauthorised transactions and mistaken payments. A rule-making power will allow the Minister to set baseline consumer protections and consultation on proposed revisions to ePayments Code obligations will follow.

### Next steps

Feedback on proposals closes 2 February 2024.

Consultation on exposure draft legislation in 2024.

Following the passage of primary legislation, certain detailed elements of the reforms will be subject to further consultation. They include the design of supporting regulations for the mandatory revised ePayments Code, common access requirements, and mandatory technical standards.

### Related information

[A Strategic Plan for Australia's Payments System](#)

[Payments System Modernisation \(Licensing: Defining Payment Functions\) - June 2023 Consultation Paper](#)