

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2016 - 2017

Department/Agency: Australian Prudential Regulation Authority

Question: 183

Topic: RBA's New Payments Platform

Reference: Written

Senator: Ketter, Chris

Question:

1. The RBA has indicated it is working with the banks to provide real-time bank transfers called the 'new payment's platform' to commence in 2017. Does APRA have a role in this process?
2. Does it pose any new regulatory risks?
3. Does it offer any advantages?

Answer:

1. APRA has no formal role in this process. The RBA has primary responsibility for payments system policy. However, APRA's Chairman is a member of the RBA's Payments System Board.

APRA also participates in a joint RBA/APRA NPP Review Group, which monitors the progress of direct participants as they prepare for the NPP start date.

2. APRA has identified three new (or heightened) risks to ADIs arising from the implementation of NPP:
 - i. Liquidity Risk. As retail payments will be made 24/7/365, these will occur at times when the financial markets and the associated infrastructure are unavailable (eg the Austraclear central securities depository, and the RBA domestic market operations). This creates heightened risk from unanticipated transaction volumes leading to an ADI being unable to honour customers' payment instructions, with associated reputational consequences.
 - ii. Operational Risk. The NPP represents a significant change program for ADIs, which inevitably introduces execution risks. Once operational, and retail payments become faster and easier, there is an increased risk to ADIs from fraudulent transactions, as fraud controls will need to operate in real time. Also, it may be more challenging for ADIs to meet their obligations regarding Anti-Money Laundering and Counter-Terrorism Financing.
 - iii. Business Risk. As with any new technology, there is a risk that the introduction of the NPP may affect the relative competitive position of ADIs. In particular, late- or non-adopters may find themselves at a significant competitive disadvantage if consumers find the new service attractive.
3. APRA supports the Payments Systems Board's strategy to promote efficiency of retail payments. APRA believes there are broad economic benefits that all participants will share. APRA notes that a number of G20 countries have or are moving towards similar retail payments infrastructure.