Decommissioning of the Bulk Electronic Clearing System: RBA Risk Assessment

March 2025

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1 Executive Summary

In 2024, the Payments System Board asked the Reserve Bank of Australia (RBA) to undertake a risk assessment of the payments industry's proposal to decommission the Bulk Electronic Clearing System (BECS). The purpose of the assessment was to better understand the changes required to decommission BECS and whether industry was adequately identifying and managing the associated risks. This document sets out the conclusions and recommendations of the RBA's Risk Assessment.

BECS is Australia's primary system for account-to-account (A2A) payments. It is used to facilitate a wide range of critical payments including welfare, pension, salary and bill payments. In 2024, BECS facilitated 3.5 billion payments worth $17.4 trillion, almost 90 per cent of Australian retail A2A payments value. Given the nature and number of payments flowing through BECS, a significant disruption to BECS payments has the potential to cause serious economic harm to end users and the broader economy.

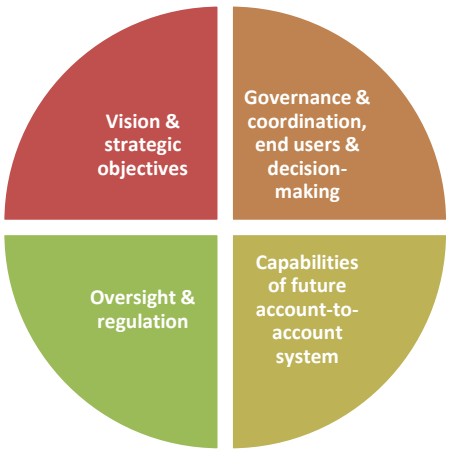
In 2023, industry announced intentions to decommission the BECS framework, identifying 2030 as the target end date. The 2030 date was conditional on all BECS payments having successfully migrated to safe and reliable alternative payment systems.

The majority of BECS transactions are expected to migrate to Australia's fast payments system – the New Payments Platform (NPP). Migration of A2A payments from BECS to the NPP would require a fundamental change in how these critical payments are processed. BECS is a batch-based system; to efficiently process the large volume of payments involved, BECS payments are grouped together in batches, which are exchanged between financial institutions at agreed intervals over the business day. The NPP is a fast payment system; payments are processed individually in real time and on a 24/7 basis.

Internationally, it is most common to have both a batch-based and a fast payments system in place. In announcing plans to close its batch-based A2A system and rely on its fast payments system to process most A2A payments, Australia would be taking a unique step. The migration of BECS payments to alternative payment systems, particularly where those systems were not designed to support the volume and types of payments that currently flow through BECS, would require significant uplift across a number of dimensions.

BECS has been in operation for more than 30 years. While it is a highly reliable system, significant changes are needed to keep it fit for purpose. Furthermore, features supported by the NPP, such as 24/7 real-time payments and more modern messaging standards, offer potential benefits for A2A users. However, to leverage these opportunities, there are major challenges industry would need to address before it could safely and successfully migrate payments off BECS in a way that serves the broader public interest. These challenges can be grouped into the four categories described below and shown in Figure 1.

Figure 1: Key Challenges



Vision and strategic objectives

The target end state for A2A payments in Australia has not been defined. Industry, government, the RBA and end users are yet to agree strategic objectives or a vision for the future of A2A payments. It should be clear how the vision and strategic objectives for A2A payments balances the spectrum of interests across the A2A ecosystem and serves the broader public interest.

Governance and coordination, end users and decision-making

Alongside a vision and target end state, a governance and coordination framework is also required to enable analysis of a more comprehensive set of options. The governance framework should oversee feasibility (or cost benefit) analyses, planning activities and prioritisation, sequencing, and coordination. This should include accountabilities over planning and execution, a voice for all stakeholders, and mechanisms to validate the target end date for BECS as a result of the planning process.

The perspectives of end users need to be directly integrated into the planning and decision-making processes. Decision-making processes should be designed to seek and incorporate a broad spectrum of requirements. This will take time, but emphasis on the speed of decision-making should not trump this priority if a durable solution is to be found.

Industry should ensure that technical solutions are feasible at a reasonable cost. End users are price sensitive, so end-user cost needs to be well understood by industry before deciding on options and implementing solutions.

Capabilities

Significant capability uplifts would be required to successfully migrate all BECS payments. The breadth of capabilities that need to be addressed includes improvements to operational resilience, designing solutions for processing large volumes of batched transactions, efforts to ensure all accounts currently reachable through BECS are reachable by the NPP and market readiness to facilitate direct debit payments via the NPP's PayTo service.

Oversight and regulation

The RBA is the principal regulator of Australia's payments system, with a mandate to promote the safety, efficiency and competitiveness of the payments system. However, the safety and resilience of payment systems are not formally subject to regulatory oversight, with the RBA's oversight arrangements based on moral suasion. The breadth of change taking place in the A2A payments landscape highlights the need for the Government to continue to work with the RBA and other regulators to ensure they have appropriate powers to enable them to adequately supervise payment systems into the future.

2 Key Recommendations

*This section provides an overview of the RBA's recommendations to address identified risks to the safety and resilience, efficiency, and competition of the A2A payments system. Foundational recommendations that should be accorded a high priority are highlighted in **red**. More detail about the RBA's findings and recommendations can be found in Section 4.*

Future of A2A payments in Australia

- **Recommendation 1**: Industry, with input from the RBA and government, needs to formulate a clear vision and strategic objectives for the future of the A2A payments system that is consistent with the public interest (i.e. benefits society as a whole) and considers a broader set of stakeholder requirements.
- **Recommendation 2**: Industry needs to analyse a more comprehensive set of options for achieving the vision's strategic objectives and provide a clear articulation of the issues with the current BECS system.

Governance and coordination

- **Recommendation 3**: Industry should establish a centralised forum (compliant with relevant competition laws) responsible for governance and coordination of the BECS migration.
- **Recommendation 4**: Industry needs to establish high-level deliverables and milestones for achieving the vision for A2A payments, including clear prioritisation and sequencing.
- **Recommendation 5**: As a result of the planning process, the target date for achieving the future state should be validated, and mechanisms to minimise the risk of a disorderly transition should be established.
- **Recommendation 6**: Mechanisms should be established that ensure that all relevant information is obtained, verified and meaningfully considered. Information from stakeholders that are not traditionally consulted directly (such as end users) should be included.

  Mechanisms to balance competing interests and manage conflicts of interest need to be established and a degree of independence from these interests ensured in the decision-making processes.

Economic transition

- **Recommendation 7**: Industry should work to establish a higher degree of certainty regarding costs and clearly articulate the net benefits of new A2A payments for end users to enable relevant stakeholders to develop business cases to support the migration. Industry should uplift their reporting of A2A payment costs for end users to the RBA so that it has appropriate oversight and can provide more transparency to the payments ecosystem.
- **Recommendation 8**: Decision makers should seek to design and implement capabilities and functionalities considering ecosystem costs. Lower total upfront costs require less cost recovery via end user pricing. Industry should consider opportunities for cost optimisation through centralisation or standardisation.

Treatment of bulk payments

- **Recommendation 9**: Industry needs to enable consistent delivery of payments in the future A2A system in line with end users' expectations and regulatory obligations. This includes ensuring that the system can process increasing stress volumes while achieving agreed service-levels.
- **Recommendation 10**: Industry should define success criteria for a bulk payments functionality and assess prospective solutions against these. The criteria should consider public interest objectives, including reliability and contingency, affordability and cost-efficiency, and access and competition.
- **Recommendation 11**: During the design process, industry needs to examine trade-offs in a transparent manner. Consultation processes should facilitate the inclusion of smaller institutions and end users.
- **Recommendation 12**: To ensure reliability, industry should put in place service level agreements for bulk payments in the future A2A system. Industry should develop procedures for the prioritisation of clearing, settlement and posting of transactions in periods of high volumes.
- **Recommendation 13**: Industry should build comprehensive resilience and contingency arrangements into any future bulk payments functionality, in line with end users' requirements.
- **Recommendation 14**: Industry should ensure any future bulk payments functionality promotes competition in the A2A payments market, avoiding: costs that create unreasonable hurdles to participation by banks and payments service providers; and the creation of proprietary products by payments service providers that restrict end users' portability.
- **Recommendation 15**: Industry needs to evaluate whether to develop standardised elements of any future bulk payments functionality as components of its central infrastructure, supporting cost-effectiveness and efficiencies.

Operational resilience and contingency arrangements

- **Recommendation 16**: Industry should establish minimum resilience objectives for A2A payments that: take an end-to-end system perspective; consider stakeholder expectations; and are supported by an assurance framework and compliance incentives.
- **Recommendation 17**: Industry needs to develop a framework for A2A payments contingency. This framework should be factored into the process of transition to the target state from the outset.
- **Recommendation 18**: AusPayNet and the industry should ensure the BECS migration program does not introduce change-related risks for the BECS contingency arrangements. AusPayNet should review current contingency arrangements to ensure these arrangements remain effective.

Other capabilities of alternative rails

- **Recommendation 19**: Industry needs to provide assurance on when account reach gaps will be resolved. This includes having appropriate, time bound plans to make the NPP or alternative services available to their customers.
- **Recommendation 20**: Industry should work quickly to address the current issues and barriers to PayTo adoption, to help build confidence in PayTo and support the migration of existing direct debits.

3 Context

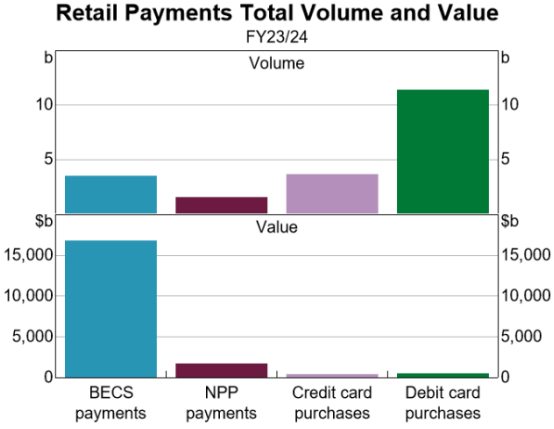
Introduction

BECS is used to process direct entry payments between individual accounts held at different Australian financial institutions. It is Australia's largest retail payment system by value, facilitating most salary, welfare and pension payments (direct credits) and recurring bill payments such as insurance premiums or utility bills (direct debits) (Graph 1). The technology underpinning BECS is relatively simple and reliable.

Graph 1

Retail Payments Total Volume and Value

FY23/24



Source: RBA.

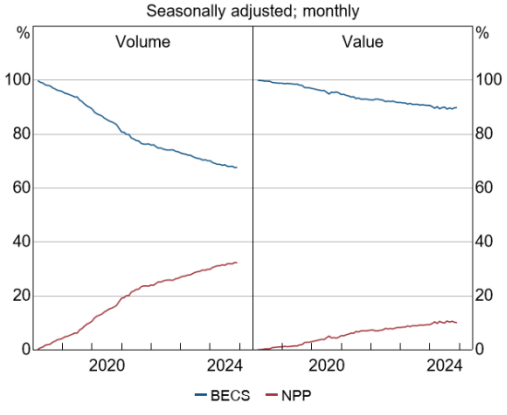
In 2023, industry communicated intentions to decommission the BECS framework, identifying June 2030 as a target end date, subject to ongoing review. While BECS has been operating reliably for over 30 years, it has not been upgraded to support modern payment messaging standards, which would allow for more data to be sent with payments, and is only available during business hours. Recipients of BECS payments do not have real-time access to the funds being sent and senders do not have real-time confirmation that the payment has been successful.

The intended decommissioning of BECS is happening in the broader context of the modernisation of the payments system in which cheques are being phased out and the transactional use of cash is declining. While these trends are happening in many countries, Australia is the only advanced economy to announce plans to decommission its batch-based A2A payments system.

Graph 2

BECS and NPP Volume and Value Share

Seasonally adjusted; monthly



Source: RBA.

Currently there are no alternative payment systems in Australia able to process BECS batch payments. While the NPP is an A2A payment system, its footprint is smaller and it is mainly used for lower value direct credits (Graph 2).[1] The NPP offers greater functionality than BECS, but would require significant development before it could process the majority of BECS payments with an equivalent level of safety and reliability.

1 In 2024, the NPP processed approximately one-third of A2A payments. Over the same period the average transaction value for the NPP was $1,200, compared with $4,900 for BECS.

Intention to decommission BECS

While both BECS and the NPP are A2A payments systems, there are some key differences that make industry's intention to decommission BECS and the potential migration of BECS transactions to the NPP a complex undertaking.

To make a BECS or NPP payment, customers submit payment instructions electronically to their banker, including via Application Programming Interfaces. For BECS, financial institutions combine customer instructions to generate bulk files with payment instructions that are bilaterally exchanged with other BECS participants. The associated payment obligations are settled on a netted basis six times over the business day. Australian Payments Network (AusPayNet) owns and administers the BECS framework including relevant rules and procedures.

NPP payment instructions can hold significantly more data than BECS instructions and funds are credited to the receiver and debited from the payer in real time. This can happen at any time of the day, not just during business hours. The NPP is owned and operated by Australian Payments Plus (AP+). While real-time, data-rich payments have substantial advantages, as Table 1 highlights, the NPP is relatively new and still in the process of being fully established.

Table 1: Comparison of BECS and the NPP

Element	BECS	NPP
Volume (2024)	3.5 billion	1.7 billion
Value (2024)	$17.4 trillion	$2.0 trillion
Maturity	> 30 years of steady state operations across all A2A payments	< 10 years operations, main volumes are single credit transfers Undergoing significant changes in order to support wider range of A2A payments.
Product / service	Business hours operations Processes payments in 'batches' of up to 1 million transactions Netted settlements Deferred settlements – 6 settlement times per day	24/7 operations Processes each transaction individually ('line by line') Gross settlement Settlements in near real time
Technology	Bilateral file exchanges between direct participants; simple technology Lower standards for availability (relative to the NPP), generally met	Central infrastructure for payments processing and settlements, ecosystem reliant on complex high availability technology Higher availability standards, not generally met

The decision to announce the intention to decommission the BECS framework followed a three-year AusPayNet consultation. The majority of AusPayNet members consulted indicated a desire to avoid further investment and the operating costs associated with BECS (see Box A).

One impetus for decommissioning BECS is that it only supports an 18-character description within each payment message. This is an impediment to effective screening for financial crimes (i.e. AML/CTF, sanctioned payments, fraud and scams) and will need to be addressed if higher risk payments are to continue being processed on BECS in the medium-to-long term. Investment to address this limitation in BECS would most likely be passed on through higher prices for end users. The shortcomings of BECS in this regard do not

equally apply for all BECS use cases, for example, recurring payments made to domestic recipients such as welfare or payroll payments are much less likely to be subject to financial crimes.[2]

It is noteworthy that no advanced economy analysed by the RBA has announced plans to decommission their batch-based payment system and transition all A2A payments to fast payment systems. Australia's payments industry will not be able to draw on overseas experience to inform its efforts to decommission BECS. Conversely, many jurisdictions have upgraded, or are upgrading, their existing batch-based systems to meet the current requirements, especially regarding messaging standards. For instance, Canada is upgrading its existing batch-based A2A system to better meet the needs of end users while building a fast payments system in parallel. In the United Kingdom, where direct entry and fast payments settle on a deferred net basis similar to BECS, the industry has been pursuing a plan to modernise the technical platform for all current payment systems.

Box A: Consideration of Alternatives to BECS Decommissioning

AusPayNet's consultation concluded that there was no appetite to maintain BECS and that setting a target end date for the BECS Framework was a critical next step to focus and accelerate industry efforts in this direction. The RBA observed the following:

- If BECS was retained, investment to maintain it and remediate its current limitations would likely need to be made.
- The decision-making process did not sufficiently explore potential alternatives to the complete decommissioning of BECS. Having determined that industry did not have an appetite to invest in upgrades to BECS, the costs and benefits of decommissioning and alternative approaches were not meaningfully explored and compared.
- Current limitations of BECS might not necessitate its outright decommissioning. There could be options to retain an upgraded version of BECS:
    - The messaging format could be uplifted (e.g. to be ISO 20022 compliant) to better enable transaction screening and improve obligations regarding financial crime.
    - BECS could be retained as a contingency and/or for certain low-risk payments (e.g. welfare and salary payments).
    - The BECS framework could be enhanced to improve speed and availability to bring about benefits such as more frequent settlement or expanded operating hours.
- An option to set one target date for the migration of single push payments and a separate target date for the overall framework (i.e. a phased approach to the migration) was considered but ruled out.
- The consultation leading to the decision to decommission BECS did not benefit from timely, unfiltered end user perspectives. At key decision points there was heavy reliance on payments service providers to represent their customers' perspectives. In the RBA's consultation with end users, it was apparent that most end users were unaware of industry's intentions to transition away from BECS. An absence of clarity on a migration strategy and future products and services meant that payments service providers had not commenced engagement with end users.

2 AP+ recently informed the RBA that the planned service to confirm payment recipient details when the payer is making a payment will offer 24/7 account name matching for NPP participants. This service will be rails-agnostic and offer lookups for any BSB and account number, regardless of whether the ultimate payment will occur via the NPP or BECS.

Implications of disruptions for end users

Disruptions to BECS payments can result in vulnerable members of the community being unable to purchase essentials or pay bills. To mitigate this risk, the rules and procedures supporting BECS payments are well-established and effective. In most cases, industry participants resolve issues impacting BECS payments over the course of a business day, without seriously impacting end user experience.[3]

When a payment system is undergoing significant change, the risk of disruption to payments is heightened. BECS users need confidence that the systems they use to make A2A payments will be available when expected, and that payments will reach the intended recipient at the time promised throughout the decommissioning and migration of BECS and beyond. End users also need to be confident that A2A systems will remain secure throughout the change process.

The current profile of BECS payments highlights the breadth of end user expectations, which include the following:

- **Volume capacity**: On average BECS facilitates close to one million government transfers per day (e.g. JobSeeker payments, the Age Pension, the Disability Support Pension, child support, Health, family assistance, Aged Care, Department of Veterans' Affairs (DVA) payments, and Medicare). Peak volumes often reach two million payments per day and government transfers during emergencies and other extraordinary circumstances (e.g. COVID-19 relief payments) can be expected to reach even larger volumes. The public expects the A2A system to reliably process not just average volumes, but to be ready to process as many payments as needed in extreme but plausible conditions.
- **Certainty of receipt:** Recipients of pension and welfare payments are highly reliant on receiving payments at particular times on certain days. Disrupted or delayed payments can cause immediate hardship and can also have flow-on effects for other government services (such as call centre capacity). Similarly, missed or delayed payments can have an immediate impact on staff or suppliers if payroll or vendor payments are not received when expected.
- **Legislated and codified obligations:** Many payments made via BECS, such as energy payments or welfare payments, are subject to legislated, codified, or other obligations. For example, the Code of Operation regarding recovery of debts from customer bank accounts recognises that income support payments are intended to ensure recipients can access basic food and accommodation for themselves and their families.[4] The default position under the Code is that a customer should be able to retain at least 90 per cent of their Services Australia or DVA payments in any fortnightly period. Stakeholders raised concerns that treatment of these payments was being inconsistently applied for payments travelling over the NPP rails.
- **Reliability and contingency:** Given the potential impact of delayed welfare payments, it is best practice for industry to prioritise their delivery. To facilitate payments delivery during outages, contingency arrangements are continually tested by industry to ensure the risk of disruption to these payments are minimised, even when outages occur.

3 See Griffiths J and M Joyce (2024), 'The Reliability of Retail Payment Services', RBA *Bulletin*, October.
4 Services Australia (2021), 'Code of Operation 2021–2024'. The Code applies to all Australian Banking Association, Australian Finance Industry Association and Customer Owned Banking Association members.

Oversight process

In February 2024, the Payments System Board classified BECS as a prominent payment system and tasked the RBA with conducting a risk assessment of the BECS decommissioning.[5] The Risk Assessment was conducted in two stages.

The first stage involved identification and analysis of a broad range of risks with potential to undermine a successful and safe transition. The analysis concluded that some risk categories were well understood, with industry mitigation strategies already underway. Examples included capability shortcomings of the NPP such as account reach and PayTo market readiness, liquidity and credit risks, and fraud and scam related risks.

The second stage of the analysis focused on foundational risk categories where industry's understanding of the size and nature of the risks, and their interconnections, was deemed inconsistent or lacking. The risk categories were:

1. **Governance and coordination**: RBA analysis identified the absence of a common industry vision of success for the BECS migration across industry participants and inadequate coordination and stakeholder engagement.
2. **Bulk files and overall costs:** RBA analysis identified risks arising from the challenge of processing large volumes of BECS transactions. To explore these issues, the RBA conducted analysis of volumetric requirements under extreme but plausible and recently experienced scenarios, drawing on this to consider how the associated investment and ongoing costs might affect an orderly transition.
3. **Contingency arrangements and systemic resilience:** The RBA expects payment systems to be reliable and resilient and to have effective contingency arrangements in place. The RBA's analysis identified resilience and contingency as major concerns requiring improvement before end users are likely to move critical payments off the BECS framework.

Over the course of the Risk Assessment, RBA staff met with more than 30 organisations from all stages of the payments value chain, including payment scheme operators and administrators, providers of payments services and other services (e.g. system integrators and software vendors), banks,[6] financial industry associations, corporate and government end users (including end users in the energy, mining, retail, and superannuation sectors), and other government stakeholders. Overall, the RBA conducted 89 bilateral interviews and surveyed 12 industry stakeholders with in-depth questionnaires.

There was a high level of engagement and interest in this work by all organisations who participated in the consultation, highlighting the desire by industry, and A2A stakeholders more broadly, for BECS migration risks to be managed well. The RBA appreciates the constructive and fulsome engagement from all consulted stakeholders. Industry responded dynamically during the consultation process and commenced several initiatives to start addressing shortcomings that crystalised during the Risk Assessment process.

5 A prominent payment system is a system where an outage could cause significant economic disruption and damage confidence in the financial system, even if not quite rising to the level of systemic impact. See RBA (2024), 'Payments System Board Update: February 2024 Meeting', Media Release No 2024-03, 29 February.

6 This included the four major banks, a range of small banks and the RBA's Banking Department, consistent with RBA policy. See RBA (2024), 'Managing Potential Conflicts of Interest Arising from the Bank's Commercial Activities'.

4 Findings and Recommendations

Governance and coordination risks

Future of A2A payments in Australia

The conditional target end date for the BECS Framework was established without having articulated an agreed vision of the desired end state of A2A payments. Industry's motivation for decommissioning BECS is anchored in the desire to avoid future investments in BECS when there has already been significant commercial investment to build the NPP and further investment in the NPP is required. However, participants will not be able to move all BECS payments away from BECS (a widely used, resilient and efficient system) until the alternative systems can reliably support the high volumes and full range of payments currently processed by BECS. Although industry is working to resolve these capability gaps, it is not yet clear exactly what this looks like.

Consensus on the desired end state is essential for industry to effectively manage a modernisation program of this scale and avoid generating major inefficiencies and risks for the payments system. This requires an accurate articulation of objectives and features that the future payments system will provide. Once end state objectives have been defined, a plan can then be established for the realisation of that end state. Only when this plan exists can industry, participants and the wider ecosystem create business cases and secure funding for their contributions towards executing this plan. While industry has been clear on its desire to exit BECS, defining what the future should look like is a fundamental first step to ensuring a successful migration.

In forming a view of the desired end state, industry should arrive at a common vision, agreed among the various stakeholders. It is important that industry's strategic objectives for the future of A2A payments in Australia are consistent with public interest considerations such as safety, resilience, competition and cost-effectiveness. They should also reflect the legitimate interests of a range of direct and indirect stakeholders, including critical service providers and end users, who will ultimately bear the costs of industry's decisions.

Recommendation 1*

Industry, with input from government, needs to formulate a clear **vision and strategic objectives for the future of the A2A payments system** that is consistent with the public interest (i.e. benefits society as a whole) and considers a broader set of stakeholder requirements.

The strategic objectives need to clearly articulate the features required in the overall A2A payments system and consider reliability and safety, cost-effectiveness and efficiency, accessibility and competition, and other relevant public interest considerations.

** This is a foundational recommendation that should be addressed with urgency.*

In proposing a potential end date, industry recognised that the 2030 target date should be subject to ongoing evaluation and may need to be adjusted for bulk payments made by businesses and government. However, the consultation undertaken by industry leading to the proposed target end date did not meaningfully consider alternative options and end user perspectives (see Box A).

Recommendation 2*

Industry needs to **analyse a more comprehensive set of options** for achieving the vision's strategic objectives and provide a clear articulation of the issues with the current BECS system. Options for achieving this vision should be transparently assessed for whether they meet end user needs and for their costs and benefits across the payments ecosystem.

Once feasible options have been identified, industry needs to set out key milestones, decision-making processes, and roles and responsibilities for achieving the vision's strategic objectives.

** This is a foundational recommendation that should be addressed with urgency.*

Governance and coordination

Governance of the industry program to decommission BECS resides with AusPayNet (as administrator of the BECS framework). AP+ (as operator of the NPP) is responsible for the program to uplift NPP capabilities. Under current arrangements, each BECS member is responsible for independently managing their individual transition away from BECS, including determination of their specific exit date. No central coordination structure has been established. AusPayNet and AP+ are in the process of establishing mechanisms relevant to their respective responsibilities to attempt to address this gap and are also seeking joint approval for ACCC authorisation to enable coordination.[7, 8]

Effective governance and coordination mechanisms will be essential if industry is to achieve a successful and orderly migration of BECS payments for the following reasons:

- Industry's intention to remove BECS from the payments ecosystem is a complex undertaking. BECS, which is used by virtually every industry participant and end user, is highly integrated into business processes.
- Migrating BECS transactions to the NPP would require significant uplift across the NPP's central infrastructure, scheme rules and its participants' capabilities.
- Individual industry participants have limited visibility over the various aspects relevant to the BECS migration (e.g. transaction volume flows).
- The payments system is also undergoing many other changes, affecting available resources and potentially having change interdependencies with the BECS decommissioning efforts.

Therefore, a successful migration away from BECS will require sufficient engagement and coordination to effectively plan, prioritise and sequence across industry. Effective coordination (such as planning, milestone tracking and stage-gating key decisions) can provide consistency, certainty and confidence in the migration's success. **To mitigate risks arising from the decommissioning, contingency plans for alternatives to the complete migration of all BECS payments should also be established by industry.**

7 AusPayNet hosts various forums to coordinate operational decisions regarding BECS. Its role in the decommissioning of BECS is currently limited to the monitoring and assessing the validity of the target end date against agreed criteria. AusPayNet is seeking to establish a forum for discussions on the future of A2A system to be attended by AusPayNet, AP+, the Treasury and RBA Payments Policy Department. The application for authorisation is available on the ACCC Authorisations register. See AusPayNet and AP+ (2025), 'Submission in support of application for authorisation to the Australian Competition and Consumer Commission', 21 February.

8 AP+ has established a 'Move to NPP Program' which is responsible for monitoring the NPP's platform capabilities, delivery schedules, project plans and industry testing for the migration. As of February 2025, AP+ is establishing a 'Move to NPP Steering Committee' to oversee this work, comprised of all NPP Direct Participants and Connected Institutions, with Treasury and the RBA's Payments Policy and Payments Settlements Departments attending as observers. AP+ has appointed an independent Chair for the Move to NPP Steering Committee.

The RBA deems these to be essential conditions for individual stakeholders to be ready to develop their own migration plans, mitigating the risk of a disorderly wind down. Box B provides an example from the cheques decommissioning that is relevant here. It is possible that stakeholders will not allocate the necessary resources, attention or priority to the BECS migration within their organisation in the absence of central coordination and confidence in the migration. In addition, key third-party vendors and suppliers may not be able to adequately prepare for the volume of industry uplift that will be required. A centralised coordination approach would help provide industry participants with the confidence and certainty to plan effectively for the BECS migration.

Stakeholder engagement

The decommissioning of BECS is a significant initiative that will impact many stakeholders. Timely and broad stakeholder engagement is paramount to ensuring the BECS migration is informed by relevant views and that the future state meets stakeholder needs. Critical service providers supporting future A2A payments infrastructure also need to be engaged to ensure that solutions are feasible, both technically and financially. Technical solutions that require relatively more investment will ultimately result in higher per transaction costs; this has the potential to impede migration given that many end users are very price sensitive.

End users are a critical stakeholder group that have largely been unaware of the intention to decommission BECS to date. Industry stakeholders had given little consideration to the holistic end-to-end user experience for customers following migration from BECS. Furthermore, banks have been unwilling to engage with their customers due to ongoing uncertainty about the products that will be available in the end state (e.g. a bulk functionality). While AusPayNet and AP+ maintain stakeholder engagement forums, both organisations have had limited ability to directly engage with end users, particularly corporate organisations, as payment services providers have maintained control of these relationships.[9] This approach made it difficult for decision-makers to fully understand the spectrum of end users' needs.

The legitimate interests of stakeholders should be considered when developing the future A2A payments system. Without input from end users, industry (and in particular AP+ in its effort to design future NPP functionalities), will not be able to plan and design functionalities at a price point that would enable end users to migrate. This increases the risk that end users may be reluctant or unable to migrate, potentially undermining an orderly transition.

Decision-making

Given that decisions for the BECS migration can have widespread impact across the A2A ecosystem, it is crucial that governance and decision-making place a high priority on balancing private and public interests. Public interest considerations such as resilience, safety, efficiency and competition (e.g. whether some stakeholders will gain an unfair advantage over others) should be built into the decision-making framework. To achieve this, industry should ensure adequate mechanisms for managing conflicts of interest though sufficient independence in its decision-making.

Decision-makers need a broad knowledge base, drawing from relevant expertise and a diversity of stakeholder views. Current decision-making structures raise the risk that decisions will need to be revisited later in the process, which has the potential to erode confidence and trust, cause delays and increase overall transition costs. Sound decision-making is reliant on having sufficient time to absorb relevant perspectives to mitigate the risk that decisions will need to be revisited or amended. **While a target date of 2030 requires**

9 The RBA understands it to be a common approach for financial institutions to represent their customers' needs and restrict AusPayNet and AP+'s direct engagement with end users to a limited subset.

progress with a degree of speed, decisions need to be supported by an accurate understanding of end user needs and expectations, so that poor decisions are avoided.

Recommendation 3*

Industry should establish a **centralised forum** (compliant with relevant competition laws) **responsible for governance and coordination** of the BECS migration. The roles and responsibilities of relevant parties should be clearly set out and communicated, including which industry bodies are leading and being held accountable for coordination.

Recommendation 4

Holistic planning by industry

Industry needs to establish high-level deliverables and milestones for achieving the vision for A2A payments, including clear prioritisation and sequencing. As part of this:

- **Risk mitigations** and plans for alternative options need to be established and a process akin to stage-gating implemented to guide industry's progression.
- The feasibility of options to achieve the overall vision/objectives needs to be assessed with a degree of **transparency and independence** across a number of agreed success criteria, including satisfying end user requirements and financial viability.
- **Change management requirements** on members and end users, including impacts on customers and timing of other large parallel industry initiatives should be considered.

Recommendation 5

As a result of the planning process, the **target date** for achieving the future state should be **validated** and mechanisms to minimise the risk of a disorderly transition , should be established.

The operational resilience and effectiveness of BECS until its decommissioning needs to be ensured. This will require continued investment to maintain BECS.

Recommendation 6*

Information gathering and balanced decision-making

- Mechanisms should be established that ensure that all relevant information is obtained, verified and meaningfully considered in the coordination and governance.
- Information from stakeholders that are not traditionally consulted directly (such as **end users) should be included.**
- Mechanisms to balance competing interests and manage conflicts of interest need to be established and a degree of independence from these interests ensured in the decision-making processes.

** These are foundational recommendations that should be addressed with urgency.*

Box B: Comparison with the Decommissioning of Cheques

There are some useful comparisons that can be made between the transition risks associated with the planned decommissioning of BECS and the cheques system.

The Australian Government outlined plans to wind down the cheques system in a phased approach by September 2029, given the significant decline in cheque usage over time.[10] Stakeholders have raised concerns that banks will transition away from cheques much earlier than the government's announced end date, with some smaller institutions already withdrawing from the cheques system. There is a risk that if one of the major banks stops accepting cheques, there may be a 'rush to the door' to avoid bearing the costs associated with processing all cheques volumes and maintaining the infrastructure.

Unlike cheques, the volume and value of BECS payments has not been falling. The probability of an early exit from BECS well before the 2030 end date is unlikely while BECS remains the predominant Australian A2A payments system and without a viable alternative for major use cases (e.g. for bulk payments). The greater risk with BECS is that the lack of a shared vision, planning and coordination leads to a disorderly transition from BECS.

However, there is a risk that once the transition away from BECS is underway and demand for certain offerings changes, some members may choose to wind down certain services that initiate payments through BECS (e.g. migrating direct debits to PayTo). Some institutions with low existing BECS volumes may decide to leave the framework before the end date.

Consistent with the cheques experience, a key risk to an orderly transition away from BECS is if some members withdraw their sponsorship services prior to the end date. A premature withdrawal of BECS services may lead to sponsored institutions involuntarily exiting the framework due to their inability to find an alternative sponsor or build their own BECS capability while the framework is being decommissioned. End users may also be disrupted by the loss of services from their sponsored institution and may need to move to a new payments service provider.

It is important that industry take a leadership role to ensure the transition away from BECS is appropriately coordinated and managed.[11] For example, AusPayNet is leading the coordination of the cheques closure, while the government remains involved to ensure the transition is orderly.[12] The government set out conditions that the cheques industry coordination program is expected to consider to support a smooth transition, such as the availability of viable alternative payment methods for all cheque use cases, no forced withdrawal of sponsorship services, minimum notice periods for stopping cheque services, and minimum service levels for banks remaining in the system.

Regulatory perimeter

The RBA's approach to its oversight of financial market infrastructures (including the risk management practices of certain payments systems) is based on international standards, set out in the Principles for Financial Market Infrastructures (PFMI).[13] While the supervision of clearing and settlement facilities is based on powers under the *Corporations Act 2001*, the RBA's oversight of observance of the PFMI by relevant payments systems is currently based on moral suasion.

10 See Australian Treasury (2024), 'Australia's Cheques Transition Plan', Consultation Paper, 18 November.

11 It is acknowledged that, pending approval from the Australian Competition and Consumer Commission (ACCC), AusPayNet is seeking to establish a forum for discussions on the future of A2A system to be attended by AusPayNet, AP+, the Treasury and RBA Payments Policy Department. See AusPayNet and AP+ (2025), 'Submission in support of application for authorisation to the Australian Competition and Consumer Commission', 21 February.

12 The ACCC has granted interim authorisation for industry to coordinate the winding down of cheques to meet the announced end date in line with the government's plans.

13 The Principles for Financial Markets Infrastructures are widely used internationally by authorities, including the RBA, to assess the effectiveness of risk management practices of financial market infrastructures / payment systems.

The RBA's payment systems oversight covers systemically important payment systems (SIPS) and prominent payment systems (PPS).[14] The NPP was classified as a prominent payment system in 2023 and is likely to meet criteria for SIPS in the medium term. Reliance on the NPP will increase if BECS is going to be decommissioned as intended.

A Memorandum of Understanding between AP+ and the RBA has established a multi-year, risk-based oversight program (based on expectations articulated in the PFMI) to support the NPP's transition to becoming systemically important.[15] BECS was classified as a prominent payment system in 2024 and this Risk Assessment has been informed by expectations articulated in the PFMI.

The breadth of change taking place in the A2A payments landscape highlights the need for the Government to continue to work with the RBA and other regulators to ensure they have appropriate powers to enable them to adequately supervise payment systems into the future.

Economic transition

The price of making BECS payments for end users is presently low. This reflects that BECS is technologically simple and has been fully depreciated. However, if BECS was retained, there would be a need for investment, which would likely lead to higher prices for BECS transactions.

The pricing for NPP payments is still evolving. The RBA has observed that wholesale fees for NPP transactions are significantly higher than for BECS transactions. There has been some reduction in price over time and industry anticipates the wholesale price of NPP payments will continue to decrease as additional transactions migrate to the NPP. However, due to the increased technological complexity and 24/7 operation of the NPP, the RBA expects wholesale costs of NPP payments to remain above current BECS costs.

Whether fees for NPP payments are higher for end users is less clear. The market for corporate NPP payments is still emerging and there is a relatively large share of NPP payments that do not attract fees for end users. In addition, some industry participants have limited ability to clearly monitor end user pricing for BECS and NPP payments. The RBA will work with industry to collect higher quality end user pricing data to better understand the risks to the economic transition.

The development of functionalities to address NPP capability gaps and end users' requirements will impose additional development costs on AP+ and NPP participants. Development costs for existing capabilities and new capabilities (including bulk payments) are borne by the NPP ecosystem. These costs are likely to be subsequently recouped from end users through higher fees.

Higher transaction costs are a substantial deterrent to end users migrating payments from BECS to the NPP. Concerns around the ongoing cost of NPP payments are acute for end users who regularly make large volumes of payments, including large business and government payers. Business and government end users are price sensitive, especially in cases where the additional functionality offered by the NPP is not presently perceived to be beneficial. There is a considerable risk to an orderly transition if end users are unwilling to migrate payments due to NPP transaction pricing being perceived to be too high. There is also a related risk that industry invests significantly in improving NPP readiness but fails to encourage customers to use newly created NPP services at a price point that is financially viable.

End users and industry participants require clarity on upfront and ongoing costs for making NPP payments to inform capital spending decisions and their approaches to payments modernisation. The NPP has

14 Two SIPS (RITS and CLS) currently operate in Australia, both are overseen under the RBA's published policy statement. Assessments of RITS against all relevant PFMI are published on the RBAs website. Five entities (Visa, Mastercard, eftpos, the NPP, and BECS) have been identified as PPS.

15 See RBA (2023), 'Memorandum of Understanding: Cooperation Arrangements between AP+, NPPA and the RBA'.

functionalities that might assist end users in creating (perhaps substantial) efficiencies and savings.[16] However, the cost of the transition to all stakeholders remains poorly understood, which does not enable comparison of costs and benefits. Until industry provides certainty around future features and builds confidence in their planning and delivery, business cases for investment cannot be established. This applies to both end users and payments providers.

Recommendation 7
Industry should work to establish a **higher degree of certainty regarding costs** and clearly articulate the **net benefits** of new A2A payments for end users to enable relevant stakeholders to develop business cases to support the migration.

Industry should uplift their reporting of A2A payment costs for end users to the RBA so that it has appropriate oversight and can provide more transparency to the payments ecosystem.

Recommendation 8
Decision-makers should seek to design and implement capabilities and functionalities considering ecosystem costs. Lower total upfront costs require less cost recovery via end user pricing. Capabilities and functionalities should also address end users' needs. Industry should consider opportunities for cost optimisation through centralisation or standardisation.

Treatment of bulk payments

Capacity of the NPP

The internal systems of business and government end users are typically built to generate batched payment instructions (see Appendix A). BECS participants receive payment instructions from their customers, which are combined and exchanged with other participants bilaterally. These bulk files can contain up to 1 million individual payment instructions (although almost half of interbank files contain fewer than 500 payment instructions) and are settled simultaneously on a netted basis in each BECS settlement window. There is no technical limit for how many transactions can be processed in one window via the BECS framework. For example, the RBA's Banking Department processed 4.3 million time-critical transactions via BECS in a single settlement window during the COVID-19 pandemic.[17]

Because the NPP clears and settles individual transactions in real time, the rate at which payments can be processed is dependent on the capacity of the NPP Basic Infrastructure (BI), each participant's connection to the BI via their Payments Access Gateway (PAG), and the RBA's Fast Settlement Service (FSS). At present, the capacity of the NPP ecosystem cannot accommodate the timely delivery of all payments currently made over BECS in regularly occurring high volume scenarios. This is known by industry and a program of planned capacity increases is underway.

However, the planned capacity increases will not be sufficient to clear and settle some larger bulk files if processed as individual transactions within existing end-to-end service level agreements. Larger bulk files, particularly of time-critical payments to vulnerable Australians, may take extended periods of time to process if paid via the NPP. As all NPP payments (both when paying and receiving) must flow through participants' PAGs, extended processing times for large volumes will affect the speed at which other

16 Migration of payments to the NPP has the potential to reduce end users' reliance on manual processing, especially for error handling and mistaken payments. This may lead to cost savings for end users. Detailed analysis of end users' payment processing costs is outside the scope of this Risk Assessment.

17 On 15 July 2020, a combination of routine and non-routine government payments amounted to the largest number of payments the RBA has processed in a single settlement window. This was due to the second round of the Economic Support Payment coinciding with routine JobKeeper and Coronavirus Supplement payments. These 4.3 million transactions totalled $4.6 billion. See Chen J and K Langwasser (2019), 'COVID-19 Stimulus Payments and the Reserve Bank's Transactional Banking Services', RBA *Bulletin*, June.

payments made at around the same time are processed. In essence, a backlog could form at banks paying or receiving large volumes, which participants would need to manage.

All end users have expectations around payment timeliness. For vulnerable recipients, missed or delayed payments can have significant economic and social impacts. Some payments are also subject to legislative requirements regarding delivery times (see Appendix A). For participants and end users to consider migrating all BECS payments, the capacity of the NPP system (inclusive of all functionalities and overlays) will need to deliver payments in line with end users' expectations and regulatory obligations during all periods of operation, including periods of extreme but plausible volumes.

Recommendation 9
Industry needs to enable consistent delivery of payments in the future A2A system in line with end users' expectations and regulatory obligations. This includes ensuring that the system can process increasing stress volumes while achieving agreed service levels.

Capacity requirements for central infrastructure and participant systems should have regard to the design of any bulk payments functionality and its adoption.

Supporting bulk payments on the NPP

The capability to accommodate existing BECS use cases on the NPP is a key determinant of end users' willingness to migrate. This is particularly relevant for bulk payments. To support bulk payments processing, industry has committed to exploring a multi-credit transfer functionality for the NPP.[18]

Recommendation 10*
Consistent with **Recommendations 1 and 2**, industry should define **success criteria** for a bulk payments functionality and assess prospective solutions against these. The criteria should consider:

(a) reliability and contingency (Recommendation 12, Recommendation 13)

(b) affordability and cost-efficiency (Recommendation 14, Recommendation 15)

(c) access and competition (Recommendation 14, Recommendation 15)

(d) any other relevant public interest considerations.

Prospective solutions should be assessed against these criteria with a clear articulation of trade-offs between design features.

** This is a foundational recommendation that should be addressed with urgency.*

Recommendation 11
During the design process, industry needs to examine trade-offs in a transparent manner. Consultation processes should facilitate the inclusion of smaller institutions and end users. Outcomes should be disclosed to relevant stakeholders and, where there is a broad impact, end users and the public:

- Responsibility and accountability need to be clearly defined and articulated.
- Industry should work collaboratively and include a broad range of stakeholders, facilitating the inclusion of smaller institutions and end users' voices.

18 In this plan, detailed designs are scheduled to be completed by end-2025, with development scheduled to be completed by end-2027.

Reliability and contingency

End users place extremely high importance on the reliability of their payment services. BECS is perceived by industry and end users as a resilient system with well-defined, tested and functioning contingency arrangements. The technical simplicity of BECS supports an array of contingency file sharing arrangements, enabling continuation of payments during primary network outages.

Routing payments via BECS is the NPP's primary contingency arrangement. Development of BECS-like contingency file sharing arrangements is difficult due to the NPP's technical complexity and messaging standard. If contingency arrangements are not developed for outages to central infrastructure, participants or the FSS, there is a risk that time-critical payments makers will be unwilling to migrate these payments.

Affordability and cost efficiency

Development costs for new infrastructure are borne by the NPP ecosystem. Costs levied on any participant in the NPP ecosystem will ultimately be passed through to end users. Higher transaction costs are a substantial deterrent to end users migrating payments from BECS to the NPP.

The NPP is a decentralised payment system. Its technical architecture connects participants through a distributed network.[19] To access the NPP network (including services and overlays) and build transaction capacity, each participant is required to invest in its PAG and back-office capabilities.

If the NPP's functionalities are expanded consistent with the existing decentralised design to include processing of bulk files, participants will need to invest substantially to uplift their capabilities. Duplication of costs is unavoidable when developing additional functionalities in a decentralised system, and risks further increasing ecosystem costs and NPP pricing for end users.

Access and competition

Any bulk payments functionality needs to be designed with due consideration for network effects (see Box C). Harnessing network effects is crucial to the success of new payments systems or functions. If network effects cannot be realised for functionalities developed to address bulk payments processing, participant and end user uptake may be low.

If a bulk solution is developed, but participation is optional for both sending and receiving payments, individual participants may consider there to be a risk of other participants not developing bulk capabilities. This could delay development, lead to investment losses for first-moving participants and prevent effective use of a bulk functionality.[20]

Decentralised development and cost duplication may affect competition in the payments market. Individual costs to develop and support a bulk payments functionality may represent a relatively greater burden for small institutions. There is a risk that a bulk solution with relatively large cost would discourage participation by smaller institutions, concentrating the ability to send and receive bulk payments with larger participants. The ability to make and receive bulk payments affects institutions' service offering to end users. Reduced participation also poses risks to the realisation of network effects.

The NPP affords participants a high degree of discretion in the design of products and services offered to end users. This can promote competition between institutions through their service offerings. However, it can

19 Rush A and R Louw (2018), 'The New Payments Platform and Fast Settlement Service', RBA *Bulletin*, September.

20 AP+ currently proposes to make a bulk functionality available to members of a group that may optionally be joined by NPP participants. Specifics regarding the membership of this group, including criteria for mandatory inclusion of direct NPP participants, are yet to be determined. AP+ presently expects that participation in this group will reach a critical mass to realise network effects.

also increase the risk of end users being locked into their existing payments service provider. This can occur where services and the associated technical requirements placed on end users are designed in a way that prevents easy migration to a competitor institution. End user portability (the ability to easily change payment providers) is an important component of an efficient and competitive payments system. AP+ intends to develop a standard payment instruction format for end users by end-2026.[21]

Box C: Network Effects in Payment Systems

Network effects are a key factor in the adoption and success of payment systems. A network effect is an externality. Externalities exist when an individual agent's actions affect other parties' benefits or costs, but this is not reflected in the price the agent pays. As a result, an individual agent's private benefits or costs may not coincide with the benefits or costs to society.

When a network effect is present, the value of a product or service for an individual consumer is dependent on the number of other consumers using it. For example, as more people adopt fast payments, more banks and businesses may build fast payments capabilities, and the availability of fast payments to individual consumers may increase. This increases the value of the fast payments service for individual consumers. Payment innovations typically need to achieve 'critical mass', where the number of adopters is sufficiently high that the rate of adoption becomes self-sustaining and creates further growth.[22] In Australia, card payments provide a strong example of realised network effects in payments markets. PayTo is an example where network effects have not yet been realised.

If multiple providers in a network market compete for customers by offering new services, the degree to which providers' services are interoperable could be an important determinant of whether the services achieve critical mass. If services are effectively interoperable, this allows customers of alternative providers to exchange payments with each other, and the services may achieve critical mass relatively easily.

Design considerations for bulk payments functionality

Industry has considered high-level solutions to enable the NPP to handle the large volumes of payments that currently flow through BECS as batched payments. Potential options included processing these batched files as individual transactions (line-by-line) or developing a new batch file transfer capability on the NPP. To-date, NPP participants have endorsed a process to explore this type of functionality in more detail. Design options for batching capabilities on the NPP vary in their requirements for scaling existing infrastructure or designing and building new infrastructure (both centrally and with individual participants), and in their reliability and contingency arrangements.

Irrespective of the solution, participants require a method to prioritise transaction processing, either at the clearing and settlement or posting stage. There is no common view on prioritisation among participants and it is possible that the prioritisation approach will be commercially driven. However, end users are unwilling to relinquish control over the prioritisation of the payments they send to their payments service providers, particularly as the liability for missed payments would remain with the end user that sent them.

21 AP+, (2025), '2025 AP+ Roadmap', 30 January.

22 Hayashi F, T Moore and R Sullivan (2015), 'The Economics of Retail Payments Security', Federal Reserve Bank of Kansas City International Payments Conference, Kansas City, 25–26 June.

Recommendation 12
To ensure reliability, industry should put in place service level agreements for bulk payments in the future A2A system. Industry should develop procedures for the prioritisation of clearing, settlement and posting of transactions in periods of high volumes. Procedures should give regard to legislated, payer and payee expectations and any other requirements for timeliness.

Service level agreements for bulk payments in the future A2A system should be determined with regard to current bulk payments use cases (including time-critical payments) and specified from end-to-end to provide certainty on the timing of payment delivery to the end users paying and receiving.

Recommendation 13
Industry should build comprehensive resilience and contingency arrangements into any future bulk payments functionality in line with end users' requirements. Industry should articulate and balance trade-offs between end users' requirements for system resilience and the upfront and ongoing costs of developing resilience and contingency measures.

Recommendation 14
Industry should ensure any future bulk payments functionality promotes competition in the A2A payments market, avoiding:

- costs that create unreasonable hurdles to participation by banks and payments service providers
- the creation of proprietary products by payments service providers that restrict end users' portability.

Arrangements should support fair and open access to payments services to encourage competition among market participants and promote the development of more efficient payments.

Recommendation 15
Industry needs to evaluate whether to develop standardised elements of any future bulk payments functionality as components of its central infrastructure, supporting cost-effectiveness and efficiencies. Industry's evaluation should consider:

- upfront and ongoing costs to end users
- any advantages and disadvantages of standardisation
- realisation of network effects through a sufficient number of participants adopting the functionality.

Industry needs to carefully consider the participation model for any bulk functionality, including trade-offs between the ease of participation and promotion of broad adoption to achieve critical mass, participants' ability to pursue commercial interests, and whether the participation model addresses end users' needs.

Operational resilience and contingency arrangements

Resilience

BECS outages can be caused by an incident at a direct participant, the communications channel between participants or the RBA's settlement service. Most BECS outages can be managed by deferring the affected payment message exchange to later in the business day. If the payment is processed on the expected business day, deferral to a later exchange will not typically have a material impact on the payer or recipient. During a protracted outage, some participants may also redirect payments to an alternate payment channel (such as the NPP).

End users who use a fast payment system (such as the NPP) expect payments to occur very quickly, with any outages or delays being immediately obvious. To ensure its real-time payments ecosystem meets such high expectations, the NPP has operational reliability objectives in place. These objectives are articulated in

service level agreements between the NPP and the operators of the NPP BI, the FSS and each NPP participant. NPP service level agreements generally require 99.995 per cent uptime, allowing approximately two minutes per month of planned or unplanned outages.

To help achieve this uptime objective, the BI operates on infrastructure with redundancy, with backup servers used in case of an outage to the primary site. To meet the NPP resilience requirements, participants have also invested in additional capacity that can be activated rapidly if needed.

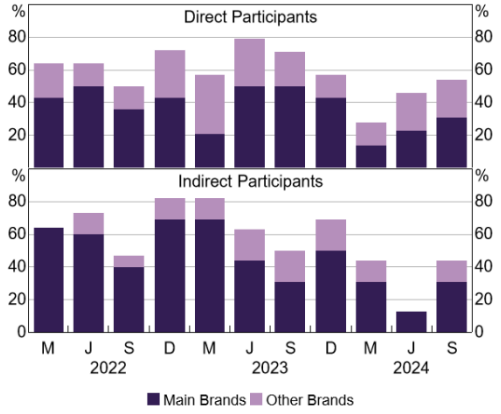
It is difficult to compare the NPP and BECS, given they are based on different technologies, have different processes and are subject to different end user expectations.

Nevertheless, analysis of how well the NPP and BECS are meeting their respective service levels suggests that the NPP has been less resilient than BECS. Data from public disclosures on retail payment incidents over the last three years indicate that over 25 per cent of NPP participants experienced a 'significant' unplanned outage in each quarter of greater than 30 minutes (Graph 3).[23] The average availability of BECS and NPP is similar, at 99.85% and 99.81% respectively.[24] However, given the availability target for BECS (transfer processed by end of day) is much more easily achieved than for NPP (transfer processed in near real time), the share of participants experiencing unplanned outages for BECS is typically much lower than for NPP (Graph 4).

Graph 3

NPP Unplanned Outages

Percentage of reporting brands exceeding allowance



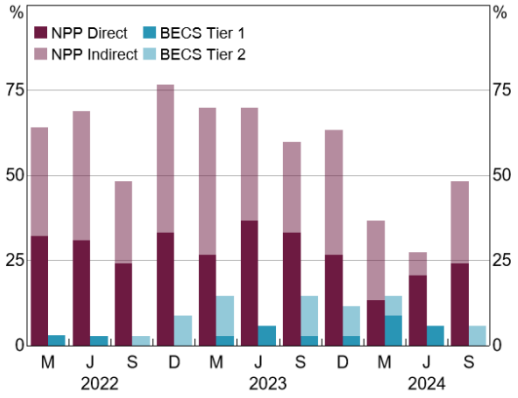
* Reliability of Retail Payment Services are disclosed by brand.

Sources: Providers of retail payment services; RBA.

Graph 4

BECS and NPP Participant Outages

Percentage of participants experiencing reportable outage*



* Unplanned outages excluding those attributed to system-wide infrastructure or disaster.

Sources: Providers of retail payment services; RBA.

Recommendation 16

Industry should establish minimum resilience objectives for A2A payments that: take an end-to-end system perspective; consider stakeholder expectations; and are supported by an assurance framework and compliance incentives.

Industry should monitor the impact that all participants have on resilience and appropriately manage the full scope of risks to A2A payments resilience throughout any transition. This should include consideration of potential concentration risks, such as the impact of sponsoring arrangements on indirect participants and overall system resilience.

23 Data for Graph 3 are sourced from public disclosures of retail payment service reliability. See RBA (undated), 'Disclosures on Retail Payments Service Reliability' for a list of providers and website links.

24 Griffiths and Joyce, n 3.

Contingency arrangements

While systems should be designed to be resilient, there is always the risk that an outage will occur. To minimise the impact of these events, payment systems are expected to have clear and effective contingency arrangements in place and to test these arrangements so that they work as expected when needed.

NPP contingency

The current contingency arrangements for the NPP are unclear. This lack of clarity can lead to poor contingency outcomes for the system. For example, in some outages, participants have chosen to temporarily stop processing payments in the system, rather than following the requirements for storing payment clearing messages so that they can be sent once the issue had been resolved.

BECS is used as the main *de facto* fall-back channel for rerouting most NPP payments when outages occur on the network.[25] The NPP rules identify BECS as the backup processing channel for direct debits when there is an outage impacting the Mandate Management Service for PayTo. There are no contingency arrangements in place for the PayID addressing service. In addition, the NPP arrangements for business continuity testing do not include industry-wide testing.

These arrangements are not sufficient in the long term and heighten the risk (and potential impact) of an incident as the BECS decommissioning progresses.

Recommendation 17
Industry needs to develop a framework for A2A payments contingency. This framework should be factored into the process of transition to the target state from the outset. The framework should:

- Minimise the negative impact of outages on the processing of A2A payments across current and future services.
- Provide a backup that enables the processing of critical A2A payments with minimal delay when outages occur. Payments delivery times in contingency scenarios should be communicated to end users through appropriate channels and meet their expectations.
- Be supported by a robust incentives framework and regular industry testing.
- Be developed in collaboration with relevant stakeholders, including end users.

BECS contingency

BECS contingency arrangements have been in place for a long time. They are clear and well understood. Testing of these arrangements occurs on a four-year rolling cycle, which is fit for purpose under normal circumstances. However, the decommissioning of BECS will require significant change, increasing the risk of something going wrong. Furthermore, the change program is likely to reduce the availability of BECS-specific resources (including staff with relevant experience and expertise). Under these circumstances, a four-year rolling test cycle may not be sufficient.

Recommendation 18
AusPayNet and the industry should ensure the BECS migration program does not introduce change-related risks for the BECS contingency arrangements. AusPayNet should review current contingency arrangements to ensure these arrangements remain effective.

25 The alternative contingency of using RITS real-time gross settlement to reroute some urgent and/or high-value NPP transactions (as currently done by some participants) is not a viable contingency solution at scale.

Other capabilities of alternative rails

Reach

A key challenge to winding down the BECS framework is ensuring that all relevant BECS-reachable accounts would be able to send and receive payments using alternative payment methods. Large payers will not be able to migrate off BECS if payments cannot be made reliably to all addressed payees. The Payments System Board has communicated the importance of financial institutions continuing to work towards making their accounts reachable by the NPP.[26]

The RBA receives regular updates from AP+ on the account reach of the NPP. As of September 2024, 87 per cent of accounts at NPP participants that are connected to BECS were also connected to the NPP. A further 10 per cent are expected to be connected in the future, while approximately 3 per cent of accounts are currently expected to remain unconnected to the NPP. [27]

Connecting all relevant accounts to the NPP would be a foundational precondition before industry could successfully migrate payments from BECS to the NPP. The NPP participants with the largest account reach gaps have indicated that all customers (as opposed to all accounts) will be made reachable via the NPP or alternative means ahead of BECS being decommissioned. However, this objective has not yet been prioritised by the industry.

Another aspect of the account reach issue is that there are approximately 30 authorised deposit-taking institutions (ADIs) that currently use BECS to process payments that are not yet connected to the NPP infrastructure. These institutions include certain foreign bank branches, foreign subsidiary banks, small Australian-owned ADIs and restricted ADIs. Most of these ADIs highlighted challenges in connecting to the NPP, including large investment and transition costs. There is a wide variation in plans to connect to the NPP, with some ADIs having clear timelines while others are uncertain.

Recommendation 19
Industry needs to provide assurance on when account reach gaps will be resolved. This includes having appropriate, time bound plans to make the NPP or alternative services available to their customers.

PayTo

Launched in mid-2022, PayTo enables households and businesses to authorise third parties to initiate one-off or recurring NPP payments from their bank accounts. It provides a modern alternative to the BECS direct debit system, giving payers additional control over their recurring payments, and giving payee businesses increased data capabilities and speed of settlement.[28] However, business demand for PayTo is still emerging and almost entirely relates to generating new payment agreements, rather than migrating existing direct debits.

26 RBA (2023), 'Payments System Board Update: February 2023 Meeting', Media Release, No 2023-05, 16 February.
27 Most of the accounts yet to be reached are certain superannuation accounts, home loan and fixed term deposit accounts held at the major banks. Around 4 million BECS accounts (3 per cent) are currently not expected ever to be NPP reachable for NPP participants, primarily consisting of some home loan and personal loan accounts. A number of NPP participants have noted to the RBA that the loan accounts are not transactional in nature and are reachable via linked accounts (e.g. offset accounts), so there is no need to make these accounts directly NPP reachable.
28 PayTo currently does not offer payers the ability to port their PayTo mandates between accounts. This capability would promote competition by making it easier for customers to switch financial institutions. PayTo porting is tentatively on the AP+ Roadmap for implementation in December 2026.

Industry has identified some barriers that are inhibiting growth of the PayTo market, including banks' service gaps and variability, and participants concerns about arrangements for managing fraud risks.[29] While work is underway to address some of these barriers, questions remain as to when and how they will be overcome.

Industry has committed to exploring a multi-credit transfer functionality for the NPP. However, credit payments represent only 62 per cent of BECS payments between banks, with the remaining 38 per cent being debit payments.[30] NPP participants have expressed interest in the development of a bulk direct debit functionality ('bulk PayTo'), as the existing direct debit alternative (PayTo) currently supports single debit transfers only.

AP+ has indicated that a bulk PayTo functionality will be highly complex to design and implement. Nonetheless, bulk direct debits represent a core payments use case for some and users. Accordingly, a bulk PayTo functionality will be further assessed during the multi-credit transfer detailed design work.

Recommendation 20
Industry should work quickly to address the issues and barriers to PayTo adoption to help build confidence in PayTo and support the migration of existing direct debits.

AP+ should transparently work through how end user requirements for a bulk debit functionality can be met under its work program, given the importance of this use case to end users.

Other risks

Fraud and scams

Fraud and scam activity is harmful to end users' trust in payment systems and willingness to adopt new means of payment. This risk is relatively well understood by industry. AP+ and NPP participants are heavily involved in key national and international industry bodies and working groups on fraud and scam prevention.

The RBA welcomes the efforts of industry participants to work together and collaborate with regulatory agencies to combat scams. While restrictions on individual payments – such as blocks, delays and limits – can help to reduce scam losses, consideration should be given to the relative risk of payments and any impact on end users, other participants and the payments ecosystem.

Liquidity and credit risk management

Payment obligations arising from BECS transactions are settled through institutions' RBA Exchange Settlement Accounts on a netted basis, six times each business day.[31] By contrast, obligations arising from NPP transactions are settled on a real-time gross basis throughout the day. Graph 5 highlights the impact of netting on liquidity requirements.

Banks view moving from deferred net to real-time gross settlement as posing operational risks arising from changes in liquidity management practices. For end users, moves to real-time payment processing and settlement are viewed as operational risks for cash balance management. Consultation indicates stakeholders are cognisant of liquidity and cash management risks, and that these risks will be addressed.

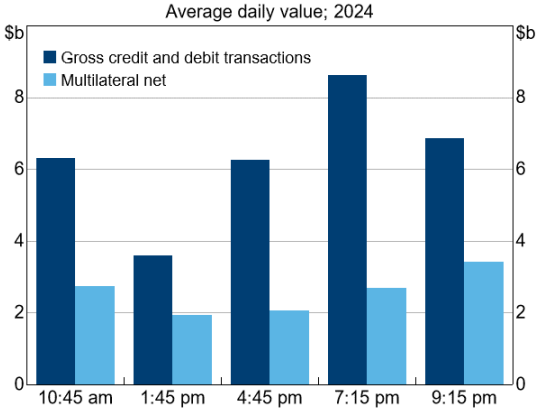
29 The pace of the PayTo rollout has varied substantially across the major banks. Although all are now enabled for retail payers, it has been slower for business customers and the initial digital channel experience for payers was mixed. Participants have also raised concerns that PayTo has insufficient processes and rules related to fraud risk management, given the growing prevalence of scams and fraud in other types of payments.
30 Credit and debit shares for calendar year 2024, for off-us (i.e. interbank) BECS transactions.
31 The first settlement window (at 9:00 am) on each business day is reserved for government payments.

In ordinary operations, moving from deferred net to real-time gross settlement removes the build-up of credit obligations between banks. Over the NPP, credit obligations may still develop in the event of a settlement outage, where payment instructions are cleared and stored ahead of settlement. Industry should remain conscious of how new functionalities or extraordinary circumstances could generate credit and liquidity risks for NPP participants.

Graph 5

Direct Entry Value per Exchange

Average daily value; 2024



Source: RBA.

5 Next Steps

The RBA will continue its oversight of the NPP as per the MOU, which was set out to support the NPP in becoming a systemically important payments system.[32] The oversight regime is designed to help prepare the NPP to be ready from a risk management perspective to process a much greater volume of A2A transactions.

The RBA will also continue its oversight efforts regarding the RITS-FSS with a similar objective, supporting the readiness of the FSS for settling transactions migrating to the NPP.[33]

Following this Risk Assessment, the RBA will continue to support the BECS transition through ongoing oversight of migration activities. This will include monitoring material developments and conducting assessments of industry's implementation of the recommendations and their effectiveness in managing risks associated with the migration.

The RBA will publish regular updates to ensure industry and end users remain informed of developments. These updates will provide assessments of risks, and how effectively industry stakeholders are managing these risks. The first of these updates is intended to be provided in 2026.

The RBA will actively support the BECS transition and implementation of the recommendations by contributing to setting a vision and strategic objectives for the A2A payments system. The RBA will also help represent the public interest perspective in industry forums as appropriate.

The RBA will work with industry to collect higher quality end user pricing data to better understand the risks to the economic transition and provide greater transparency to end users.

32 See RBA, n 15.

33 The Payments System Board identified FSS readiness for BECS migration as an area of oversight focus in RBA (2024), 'Assessment of the Reserve Bank Information and Transfer System', June.

Appendix A: End User Requirements

Government agencies

Government agencies rely on BECS for most of their payments activities such as tax collection, payroll and supplier payments, and large volumes of time-critical payments to vulnerable Australians. These include both routine, economic and emergency payments.

Government welfare and support payments made via BECS have included Centrelink's Age Pension and JobSeeker payments, child support, Medicare, Health, Aged Care, Family Assistance, the National Disability Insurance Scheme and DVA payments. **Disruption to regular payments causes direct and indirect harm to the recipients**:

- **Delayed payments can mean purchases of essentials, paying rent or essential bills are missed**. Some recipients are heavily reliant on receiving their government transfers at certain times on certain days. Missed or delayed payments can cause grave economic, social and personal harm for vulnerable Australians, negatively affecting wellbeing.
- For industries receiving payments directly (e.g. childcare, health or disability), delayed payments can affect timely payment of staff salaries and other business payments (e.g. payments to suppliers), affecting a broader range of households, businesses and economic activity.

Government agencies place the highest priority on the reliability and resilience of their payment rails, including the requirement for contingency processes. The criticality of reliability is amplified when payments need to be brought ahead of public holidays. Any departure from established payment patterns would require a large-scale education and change management program.

Government payers recognise value in making certain payments over the NPP. Due to its real-time payment capabilities, the NPP is now the default method for making emergency payments, including disaster relief payments and some crisis payments. The NPP was used extensively to make support payments during the pandemic.[34] Over BECS, these payments may not have been received by vulnerable recipients until the next business day. The NPP has become the fallback rail for BECS in case of outages. Government payers are also exploring the benefits of making other payments with real-time delivery via the NPP.

Government payers have well-established processes and systems built around making and receiving BECS payments. Disrupting these processes could pose significant demands on government, which would need to be considered for any new payment solutions. For example, the Code of Operation for welfare and DVA payments requires these payments to be flagged, to safeguard sufficient income in the accounts of recipients after any debt recovery.[35] ISO messaging (used by the NPP) contains an identifier to support this but it is not uniformly read by recipient banks.

Government payers are reliant on end-of-day processing, in part due to the need for consistency of timing for means testing and asset testing. This processing creates time pressures around payment generation for recipients in Western Australia during eastern daylight savings, which a 24/7 payments system could

34 Chen and Langwasser, n 17.
35 Services Australia, n 4.

address. Nonetheless, any move away from end-of-day processing would require a comprehensive redesign of processes and systems, given the required changes to eligibility testing, calculation of benefits and reconciliation of payments. Such a project would require a specific appropriation from the Australian Government Budget due to its cost, complexity and scale of change. Further, government agencies are highly price sensitive. Agencies will have increased operational costs to support the real-time nature of NPP payments and transaction costs of making NPP payments.

Business payments

Corporations have different attitudes towards the migration based on their market segment.

Small and medium enterprises focus on the reliable availability of payment systems. For these companies, the near-instantaneous clearing and settlement of payments could be beneficial in assisting with business cashflow, while the NPP's richer data standards could also assist in payment reconciliation. However, given the limited bargaining power of small- and medium-sized enterprises, this market segment could be disproportionately harmed if costs for NPP payments were too high and if the A2A payments market lacked competitive tension.

Larger corporations recognise payments as a strategic issue and seek to benefit from competitive tensions as they often hold multiple banking relationships. These organisations often have sophisticated liquidity management programs and could also benefit from instantaneous payments and richer data standards for reconciliation. They welcomed the opportunities that the NPP could offer in liquidity management and payment reconciliation.

Moving away from batched payment processing could be problematic for corporations, given the many bespoke and highly integrated payments software built around batch processing. The business processes of these companies are largely built around their staff processing batch payments at end-of-day, with there being an unwillingness by businesses to change well-established procedures and alter risk controls. While larger corporations can understand the benefits of the NPP, they have a limited appetite to accept higher payment costs.

Many corporate payers operate in industries where the making of payments is highly regulated. For example, regulations require superannuation, utility and insurance payments to be made within defined periods of time. **Corporations within these industries expect payments to be constantly available and have minimal tolerance for payments outages or movements away from end-of-day processing**. Some billers also have an obligation to monitor for customer hardship, and have raised concerns as to how existing systems could be adapted if direct debit mandates are migrated to PayTo.