



RESERVE BANK OF AUSTRALIA

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# Innovation in the Payments System

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# Review of Payments System Innovation

## One year in...

- Consultation paper
- Formal stage of consultations
- Posting of submissions
- Face-to-face meetings
- Round-table discussions
- Conclusions – early 2012



# Governance and Innovation

## Key priority for the review

- Challenge: develop a governance structure that supports innovation
- Two types of innovation:
  - i. Proprietary
  - ii. System-wide
- Why co-operation is hard?
- What could be done to improve it?



# Key gaps in the system

(identifying these will help set agenda and priorities)

- Faster payments
- More convenient payments
  - addressing
  - straight-through processing
  - inclusion of (rich) data
- Common message standards



# Governance and Innovation

## Some analogies

- Telecommunications and transport industries
  - movement of things – timely, reliable, convenient
  - different modes, costs, needs
  - private and public infrastructure
  - rules/standards
- Some early problems with governance...railway example
- A monopoly solution to governance...?
  - M-PESA



# Governance and Innovation

## Real-time payments in Australia...?

- Current shortcomings...
  - within-day options: cash, visit a branch, within-bank, RTGS?
- Not a lack of proprietary innovation...
  - ...problem is guaranteeing timely throughput of payments...
  - ...requires co-operation.

## Data with payments...?

- Similar problems – cannot ensure receiving institution accepts message?



# Governance and Innovation

## Why is co-operation so hard?

- Network externalities
- Devaluation of existing infrastructure
- Generating momentum
- Synchronisation
- Competition laws



# Governance and Innovation

## Some ways forward and useful features...

- Role for the Payment Systems Board and the Reserve Bank
- Role for APCA
- Broader representation – new entrants, customers – private and public
- Flexibility to deal with evolving issues
- Longer-term, strategic objectives
- Existing commercial interests – expertise, incentives to innovate
- Payment hubs and centralised structures





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