

Australian Payments Council Statement on Financial System Inquiry Final Report

22 December 2014

On 7 December 2014, the Commonwealth Treasurer, Joe Hockey, and Financial System Inquiry (FSI) Chair, David Murray, released the FSI Final Report. The 340 page document includes 44 recommendations for Government and regulators.

The Australian Payments Council welcomes the FSI Final Report and congratulates the Inquiry panel members and the secretariat for their excellent work. The APC, in particular, welcomes the focus on innovation, collaboration and competition, as well as enhanced regulation and cyber-security.

Below is a selection of payments-related recommendations from the FSI Final Report.

Recommendation 14 - Collaboration to enable innovation: Establish a permanent public-private sector collaborative committee, the 'Innovation Collaboration', to facilitate financial system innovation and enable timely and coordinated policy and regulatory responses.

Recommendation 15 - Digital identity: Develop a national strategy for a federated-style model of trusted digital identities.

Recommendation 16 - Clearer graduated payments regulation: Enhance graduation of retail payments regulation by clarifying thresholds for regulation by the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority. Strengthen consumer protection by mandating the ePayments Code. Introduce a separate prudential regime with two tiers for purchased payment facilities.

Recommendation 17 - Interchange fees and customer surcharging: Improve interchange fee regulation by clarifying thresholds for when they apply, broadening the range of fees and payments they apply to, and lowering interchange fees. Improve surcharging regulation by expanding its application and ensuring customers using lower-cost payment methods cannot be over-surcharged by allowing more prescriptive limits on surcharging.

Recommendation 27 - Regulator accountability: Create a new Financial Regulator Assessment Board to advise Government annually on how financial regulators have implemented their mandates. Provide clearer guidance to regulators in Statements of Expectation and increase the use of performance indicators for regulator performance.

Recommendation 30 - Strengthening the focus on competition in the financial system: Review the state of competition in the sector every three years, improve reporting of how regulators balance competition against their core objectives, identify barriers to cross-border provision of financial services and include consideration of competition in ASIC's mandate.

Recommendation 31 - Compliance costs and policy processes: Increase the time available for industry to implement complex regulatory change. Conduct post-implementation reviews of major regulatory changes more frequently.

Recommendation 38 - Cyber security: Update the 2009 Cyber Security Strategy to reflect changes in the threat environment, improve cohesion in policy implementation, and progress public-private sector and cross-industry collaboration. Establish a formal framework for cyber security information sharing and response to cyber threats.

Recommendation 39 - Technology neutrality: Identify, in consultation with the financial sector, and amend priority areas of regulation to be technology neutral. Embed consideration of the principle of technology neutrality into development processes for future regulation. Ensure regulation allows individuals to select alternative methods to access services to maintain fair treatment for all consumer segments.

The APC will review the Final Report to identify potential synergies between the Council's work and the FSI recommendations. The proposed development of an Australian Payments Plan by the Council means that a number of the areas flagged by the FSI will be considered in formulating the Plan during 2015. This will be done in consultation with relevant stakeholders, in particular through working with major payment industry stakeholders and organisations.

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