

RBA Core Criteria for a ‘Fast Payments’ Solution

In June 2012, the Reserve Bank of Australia (RBA) released its *Strategic Review of Innovation in the Payments System: Conclusions* (the Conclusions), following two years of research and consultation. The Conclusions note that market forces might not be sufficient to produce some types of innovation that are in the public interest, particularly those which require collective effort to succeed. To address these concerns, the Conclusions set out a number of objectives, including the establishment of a Fast Payments Solution.¹ The Fast Payments Solution would enable businesses and consumers to make payments in real time with close-to-immediate funds availability to the recipient by the end of 2016. This type of system has been a focus of innovation in a number of other countries and has the potential to unlock significant future innovation, resulting in ongoing improvements to the efficiency of the payments system.

The Core Criteria have been developed to assist the assessment of proposals for a Fast Payments Solution. It is anticipated that these Criteria will be supplemented by a set of selection criteria, including business and technical requirements. The Core Criteria are divided into three groups covering program governance, the Fast Payments Solution, and ongoing operation of the solution. Arrangements for the Settlements Hub, which is to be provided by the RBA, are also detailed below.

The Core Criteria reflect the Payments System Board’s (PSB) mandate to promote the public interest and in particular to promote efficiency and competition in the payments system. Accordingly, pricing and access arrangements for the fast payments service will be particularly important, as will requirements that the project to establish the system should be conducted in a way that is open, transparent and consistent with principles of good governance.

Program Governance²

No.	Core Criteria
G1	The program governance arrangements should have an effective decision-making framework focused on outcomes, and have in place mechanisms for clear accountability for all decisions taken.
G2	All decisions regarding the delivery of program outcomes should take into account public interest considerations.

1 In order to meet PSB objectives, the ‘Fast Payments Solution’ is expected to include, at a minimum, a Payments Hub, a Settlements Hub owned by the RBA, an addressing solution, connectivity to ADIs and relevant changes to ADIs’ proprietary payments systems.

2 These relate to the program governance to deliver the Fast Payments Solution.

No.	Core Criteria
G3	The program governance arrangements should identify, document and address real or perceived conflicts of interest in terms of representation, influence and decision-making.
G4	The program governance arrangements should be overseen by a steering committee with an independent chair and representation of industry stakeholders (with appropriate decision-making authority) catering for the interests of large, medium and smaller institutions.
G5	The program governance arrangements, including the steering committee, should include direct RBA representation to ensure that the program continues to meet PSB and RBA goals, requirements and objectives.
G6	The program governance arrangements should include a process to allow feedback from industry stakeholders not directly represented on the steering committee.
G7	The program governance arrangements should adopt a formal project management standard and have a communication plan in place to provide all project stakeholders with relevant information on a regular basis.
G8	There should be a fair, transparent and objective process for the selection of a solution provider/s that aligns with the Core Criteria, e.g. a tender, probity advice and appropriate conflicts of interest management.
G9	Once finalised, the program governance should include representation of solution owner/s, and optionally solution provider/s and operator/s.
G10	There should be a project assurance role undertaken by an independent body prior to key milestones, e.g. review of the proposed technical architecture.

Fast Payments Solution³

No.	Core Criteria
S1	The Fast Payments Solution should enable businesses and consumers to make payments in real time between authorised deposit-taking institution (ADI) accounts, with close to immediate funds availability to the recipient. ⁴
S2	The Fast Payments Solution should enable the payer to receive confirmation that the payment has been made into a valid recipient account.
S3	The Fast Payments Solution should facilitate settlement of each payment in central bank funds through an enhanced RITS settlement service – the Settlements Hub.
S4	The Fast Payments Solution should provide businesses and consumers with the capacity to send more complete remittance information with payments. ⁵

³ These criteria should be met within the overarching time frames outlined by the PSB objectives.

⁴ The use of the term ADI (authorised deposit-taking institution) in this document refers to financial institutions authorised by APRA to provide retail transactional banking services.

⁵ It is not expected that the remittance capabilities for the initial implementation need to meet the requirements of all industry groups. The current APCA ISO 20022 Interbank Credit Transfer message standard has a maximum of two blocks of 140 characters of unstructured remittance information which should be sufficient for the initial implementation.

No.	Core Criteria
S5	Customers should have the ability to more easily address a payment to a recipient's bank account (other than using BSB and account number), with basic addressing options available to customers regardless of ADI. The payer should have the ability to confirm the funds destination before committing a payment.
S6	The Fast Payments Solution should be available within and outside normal banking hours, ideally as close to 24 hours a day, 7 days a week, as practicable.
S7	All ADIs that offer transactional banking services should have the ability to at least receive payments (and respond as appropriate) from the Fast Payments Solution.
S8	The Fast Payments Solution should be based on efficient, secure and open hub-type architecture, capable of supporting fair and open access.
S9	The Fast Payments Solution should include appropriate connectivity arrangements to suit all ADIs (regardless of size) and their service providers, with the ability to also cater for future approved entities, commercial hubs and schemes.
S10	The Fast Payments Solution messaging arrangements should be based on ISO 20022 payment message standards.
S11	The Fast Payments Solution should be scalable and have high levels of resilience, stability, reliability and security in line with international standards and best practices.
S12	The Fast Payments Solution should be capable of processing high volumes of messages while providing fast transit times for appropriate message types. The Fast Payments Solution and its participants should cooperatively honour prescribed maximum customer response times ⁶ that are consistent with international best practice of similar retail payment systems. ⁷
S13	The initial implementation of the Fast Payments Solution should seek to at least deliver the minimum functionality as defined in these Core Criteria in the time frames required.
S14	The Fast Payments Solution should be developed and implemented in a manner that minimises the risk and impact to the efficient operation of existing payment systems.
S15	The Fast Payments Solution should provide the foundation for the introduction of future collaborative services with limited impact to the base service offering, i.e. it should be functionally scalable.

Ongoing Operation

No.	Core Criteria
O1	The RBA will exercise oversight of the activities of the Fast Payments Solution to ensure the objectives of the PSB continue to be met.
O2	An operational governance body should be in place to ensure the secure, efficient and reliable operation of the system, including service provision, support, maintenance, infrastructure upgrade, pricing decisions, future enhancements and related issues.

⁶ Customer response time refers to the time taken from when a customer submits a valid payment instruction until they receive confirmation (if required) that the recipient has received the funds.

⁷ This is expected to reduce over time with improvements in technology.

No.	Core Criteria
O3	<p>The operational governance body should:</p> <ul style="list-style-type: none"> • have in place an effective decision-making process • take into account public interest considerations when making decisions • have independent representation • address any real or perceived conflicts of interest that may have an effect on Core Criterion O2 • take into account the interests of large, medium and smaller institutions, the solution owner/s, the RBA (as Settlements Hub owner) and service provider/s (as required).
O4	<p>The Payments Hub owner should have an appropriate funding policy in place to ensure that the solution is maintained and upgraded on a regular basis (including provision of agreed functional enhancements) to meet high levels of service and support. This funding policy should also cover arrangements for the provision of new service offerings, taking account of the public interest as well as any possible commercial returns.</p>
O5	<p>The Payments Hub owner should have a transparent pricing model in place (for use of the collaborative components) that encourages fair and efficient use and addresses any issues of excessive market power in pricing.</p>
O6	<p>The Fast Payments Solution should be owned and operated by an appropriately regulated entity, and should be able to satisfy the RBA that it has the capacity to meet and maintain appropriate operating standards.</p>
O7	<p>The Fast Payments Solution operations would ideally be located in Australia.</p>

Settlements Hub Arrangements

In relation to the Settlements Hub, the RBA will:

- develop the specifications and arrange the testing and delivery of the Settlements Hub solution
- work with key stakeholders to develop and implement required business and technical flows between the Settlements Hub and the Payments Hub
- operate the Settlements Hub as a RITS service, using similar cost recovery principles. These currently provide for the RBA to recover its operating costs from participants, with some of the capital and development costs of major upgrades and functional enhancements being absorbed as a policy-related expense
- determine the location of the Settlements Hub in consultation with the Payments Hub solution provider on the basis of efficiency, reliability, security and supportability
- seek to provide high levels of resilience, stability, reliability and security for the Settlements Hub in line with international standards and best practice
- ensure that each valid payment received via the Payments Hub will be tested for irrevocable and unconditional settlement finality.