

# PAYMENT SYSTEMS AND FINANCIAL SYSTEM INQUIRY

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Legal Briefings

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Technological change is driving new models of doing business and greater consumer expectations of service delivery, for example, real-time value transfer.

As modern payment systems are essentially electronic means of transferring value, they are particularly vulnerable to the forces of technological change. Those forces do not respect national boundaries, so the regulatory response must be seen in a global context.

The traditional model of payment systems are under attack, with existing and new niche players (alone and in collaborations) seeking to attach to the value chain at various parts, and the incumbent players seeking greater customer contact (D2C). The shifting of the roles of participants in the payment system 'ecosystem' will give rise to disputes and challenges as players realign their relationships.

The regulatory response must balance a number of potentially conflicting objectives:

1. Not stifling the forces of change which are responding to consumer demands but at the same time providing appropriate consumer protections in terms of assurance of the transfer of value between consumers and merchants.
2. Not "choosing" winners – regulators should not have to predict economic success – the regulations should be 'competitively neutral'. That neutrality should extend to the treatment of nationally-sponsored payment systems, in order to be consistent with our greater trade and international obligations.
3. Maintain the integrity of the value transfer mechanisms – the financial system is the lifeblood of a market economy.

4. Maintain the integrity of systemically important payment systems, namely, those maintained by the Reserve Bank of Australia - there must be an overall 'public interest' criteria to any regulation.



## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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