

# Australia's central bank highlights payments goals and areas of improvement

Article

**The news:** Reserve Bank of Australia (RBA) Gov. Philip Lowe outlined four goals and initiatives to improve Australia's payments system in a Wednesday speech.

## 1. Lowering payment costs for merchants.

A big part of this initiative involves expanding [least-cost routing](#) (LCR), which lets merchants route debit payments through the most affordable network. Merchants can choose from **Visa**, **Mastercard**, or home-grown payments network **eftpos**. Australia's Payments System Board wants to [make LCR available for mobile wallet payments](#)—which has strong [penetration](#) in the market.

## 2. Supporting the development of Australia's faster payments system.

Australia offers account-to-account push payments through its [New Payments Platform](#) (NPP), which has processed over 1 billion transactions worth more than \$1 trillion in the past year. But it wants to enable the same faster payments functionality for direct debit payments.

Since NPP was designed for push payments, the government created [PayTo](#) to enable faster direct debit payments. But Lowe is frustrated with Australia's major banks, which he says have been slow to implement PayTo. The banks have agreed to make PayTo fully operational by April 2023.

## 3. Improving cross-border payments costs and speed.

Compared to neighboring countries, Australia has higher costs and slower payment speeds for cross-border payments, Lowe said, citing **Swift** research. More than 80% of the time it takes for a cross-border payment to reach an Australian recipient occurs in the final Australian dollar leg—which means Australian banks take the longest to process the payment.

Implementing NPP International Payments Business Service—which processes transactions in real time 24/7—could greatly improve payment speeds, but Lowe noted that collaboration with Australia's major banks would be necessary. The industry committed to making the business service fully available by December 1, 2023.

## 4. Fostering innovation in Australia.

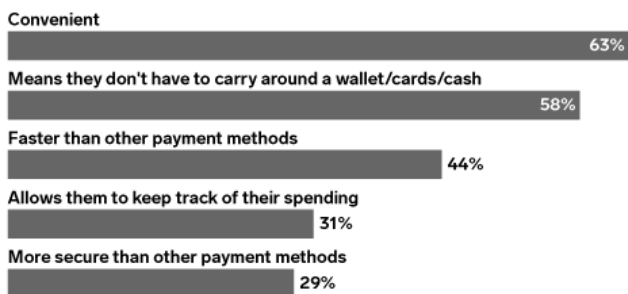
Australia is exploring a central bank digital currency (CBDC)—it recently invited industry stakeholders to propose use cases and pilot CBDC functions in a test environment. It's also considering letting banks issue Australian dollar-denominated stablecoins. Australian regulators have been [tasked](#) with creating a framework for licensing and regulating cryptocurrency service providers to safeguard consumers.

**The big takeaway:** Australia has deep digital payments penetration—cash only accounted for 7% of point-of-sale payments last year, per FIS—but the central bank believes there are opportunities for improvement, especially concerning costs and speed. Measures to speed up payments can encourage further cashless adoption. And reducing costs helps smaller merchants compete with their larger counterparts—it also lowers remittance barriers.

---

**Reasons Adults in Australia Prefer Digital Payment Apps as Payment Method for Everyday Purchases, Dec 2021**

% of respondents



Note: n=148 ages 18+

Source: YouGov, "Digital Banking December 2021: Wave 2," Jan 14, 2022

273573

InsiderIntelligence.com

*This article originally appeared in **Insider Intelligence's Payments Innovation Briefing**—a daily recap of top stories reshaping the payments industry. [Subscribe](#) to have more hard-hitting takeaways delivered to your inbox daily.*

- *Are you a client? [Click here to subscribe.](#)*
- *Want to learn more about how you can benefit from our expert analysis? [Click here.](#)*