



Submission to APRA's Governance Review – Australia Payments Forum

Introduction

The Australia Payments Forum (APF) welcomes APRA's initiative to review and strengthen governance standards across prudentially regulated entities. We appreciate the opportunity to provide input, and in this submission we focus on the important domain of payments. As Australia's payment infrastructure undergoes transformative change – moving from legacy systems to modern real-time platforms – it is imperative that corporate governance frameworks evolve accordingly. APF's perspective is that payments systems, and operations must be elevated to a core board skill and knowledge. Strengthened payments knowledge will improve awareness and support operational resilience, mitigate fraud and scam risks, and ultimately protect end-users. The following sections address key issues and recommendations in detail.

About Australia Payments Forum (APF)

APF is an Australian collective of Australian and International payment experts who have considerable experience in various areas of Payments. The core focus of this group is to contribute proactively to the success of market infrastructure to transition to future payments, including the BECS migration project. More details at LinkedIn : <https://www.linkedin.com/company/australia-payments-forum/>

Yours Sincerely,

Co-chairs Australia Payments Forum

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Transforming Payments Infrastructure: From BECS to NPP

Australia's retail payments are in the midst of a once-in-a-generation modernisation. The Bulk Electronic Clearing System (BECS), which for decades handled direct entry payments in batch cycles, is being phased out and replaced by the New Payments Platform (NPP) and associated services. This shift is strategically significant: the industry is rapidly moving from legacy systems to new platforms that deliver payment services which are faster, safer and more convenient. The BECS system was built in an earlier era with next-day, business-hours batch processing and limited data capacity, whereas the NPP enables 24/7 real-time payments, rich data transfer, better fraud controls and straight-through processing. This transformation will unlock efficiency and innovation in payments, but it also raises the stakes for governance and risk management. It will impact boards of core infrastructure providers and also merchant users also.

Migration to the NPP is well underway. As of early 2024, more than one-third of all account-to-account payments by volume are already flowing through the NPP, indicating that industry adoption has been substantial. A target date of 2030 has been set for full decommissioning of the legacy BECS framework, underscoring a firm timetable for completing this transition. The "BECS sunset" will mark the end of an era and the culmination of Australia's shift to real-time, data-rich payments infrastructure. APF stresses that this is not merely a technology upgrade – it is a fundamental change to the nation's financial plumbing. Such a change carries significant operational and strategic implications, and thus merits close attention at the highest levels of governance.



Board-Level Governance in an Evolving Payments Landscape

With the payments landscape becoming faster and more complex, APF believes that board-level awareness and understanding of payments systems and risks is now an imperative. The rapid evolution and adoption of Artificial Intelligence, along with other evolving technologies such as digital ID/wallets/currencies, are just to name a few. Electronic payments have become deeply embedded in everyday life and commerce; businesses and consumers are more reliant on them than ever. Reliability or security failures in payment systems can impose significant costs on end-users, cause economic disruption, and erode public confidence. Moreover, the threat of increasingly sophisticated fraud and scams in payments is growing – a trend that can undermine trust in the financial system. In this environment, ensuring the safety, resilience and integrity of payment operations must be viewed as a strategic priority by financial institutions' boards.

The need for robust board engagement is heightened by rising operational complexity and risk in payments. The new real-time systems are highly technology-dependent and interconnected, introducing new points of potential failure and third-party dependencies. International regulators have noted that a clear focus by boards and senior management on operational resilience is becoming ever more important as the financial sector grows more dynamic, complex and technology-reliant. APF concurs with this view: board members should treat payments infrastructure and operations as critical assets, and they should proactively oversee the management of associated risks (e.g. operational outages, cyber threats, settlement risks). In short, payments are no longer a low-level back-office function – they are a core banking service, and lapses in this area can have systemic and reputational consequences. Board accountability and attention must rise correspondingly.

Finally, increasing compliance obligations around payments further justify board-level focus. Financial institutions must comply with a range of requirements in the payments domain – from anti-money laundering controls on transactions, to data standards (such as richer ISO 20022 messaging in the NPP), to obligations tied to new services like PayTo. Meeting these obligations and adapting to new industry rules (for example, the NPP's strict uptime requirements and penalty regime for participants) requires active oversight and investment. Boards should ensure their institutions are dedicating sufficient resources and strategic planning to compliance and operational excellence in payments, especially as regulators like the RBA are stepping up oversight of payment system reliability and security. In summary, APF asserts that strong governance of payments is optional – it can assist with fraud risks, operational complexities, and compliance demands of the modern payments environment.



Gaps in Current Prudential Governance Standards

APRA's existing prudential standards (such as CPS 510 on Governance and CPS 220 on Risk Management) establish broad requirements for boards to oversee the sound and prudent management of their institutions. However, these standards do not explicitly identify awareness of payments systems or payments-related risk as a distinct board responsibility. In practice, payments has often been treated as part of operational risk management or left to management-level committees. APF believes the assumption that payments is operational represents a gap, especially at a time when payments are assuming greater strategic importance and risk profile.

Notably, APRA's current governance review discussion paper enumerates several areas of weakness to be addressed – including director skills and capabilities, fitness and propriety, board assessments, tenure limits, and conflict of interest management – but it does not directly mention payments. The absence of any reference to payments in these governance standards and proposals suggests that the criticality of payments has yet to be formally recognised in prudential regulation. Given the transformation underway in payments, APF submits that this is a gap worth closing. Just as boards are expected to pay attention to areas like credit risk, liquidity risk, and cybersecurity, so too should payments system oversight be explicitly on their radar.

The consequences of this gap are evident in varying practices across institutions. Some bank boards in Australia have already started to elevate payments oversight, in line with RBA regulations – for instance, by receiving regular metrics on payment outages, fraud losses, and project updates on NPP migration – but others may still view payments as a technical matter beneath board attention. Formal guidance from APRA would drive consistency and ensure that all regulated entities treat payments with an appropriate level of importance. In APF's view, recognising payments as a board-level responsibility within APRA's prudential standards (or accompanying guidance) would fill an important oversight gap and reinforce sound risk management practices.



Recommendations for Strengthening Payments Governance

To support an uplift in governance practices around payments, APF offers the following key recommendations for APRA's consideration. These measures align with APRA's broader objectives in the governance review, while adding a necessary emphasis on payments consistent with the ongoing industry reforms (BECS replacement, NPP expansion, PayTo rollout, etc.):

- **Director Skills and Education in Payments:** Building on APRA's Proposal 1 (which calls for boards to identify needed skills and address gaps), we recommend that APRA encourage or require boards to include payments expertise as part of their skills matrix. Given the technical and fast-evolving nature of payments, it is important that at least some directors possess a strong understanding of payments operations, digital payment innovations, and associated risks. For existing directors, APRA could encourage ongoing professional development specifically focused on payments – for instance, training on emerging payment technologies, fraud risk trends, and the implications of new services like PayTo. PayEd or industry bodies (such as AusPayNet or the Australian Institute of Company Directors) could be engaged to develop guidance and/or modules for director education in payments risk and innovation. The goal is to ensure that boards are not operating in an information vacuum: directors should be sufficiently literate in payments to ask the right questions and drive the institution's strategic response to payments challenges. A board that is well-versed in payments will be better equipped to govern in an era of rapid payment system change.
- **Align Governance Expectations with Payments Reforms:** APRA's governance expectations should explicitly acknowledge and support major payments industry reforms currently in progress. As the BECS framework sunsets in 2030 and the NPP's capabilities (including PayTo) continue to expand, APRA should set expectations that regulated entities properly govern these transitions. This could include requiring boards to receive implementation updates and risk reviews on their institution's migration of customers and processes from BECS to NPP. It could also involve guidance that boards ensure robust project governance for PayTo rollouts and other NPP-based innovations, given their importance to future payment services. By aligning prudential guidance with these reforms, APRA would reinforce to entities that successful execution of payments modernisation is a matter of sound governance. We note that the RBA's Payments System Board has identified ensuring a successful transition from BECS to modern systems as a strategic priority in 2024. Prudential standards should complement this by making it clear that each institution's leadership is responsible for managing the



change safely and effectively. In practice, this means oversight of customer migration strategies, risk mitigation during cutover periods, and investment in systems to handle real-time processing and richer data.

- **Operational Resilience and Risk Management Focus:** APRA can leverage its new CPS 230 Operational Risk Management framework (effective 2025) to emphasise payments resilience. CPS 230 already aims to strengthen management of operational risks (including business continuity and third-party risks) across APRA-regulated entities. APF suggests that APRA, in guidance or supervisory commentary, highlight payments processing as an important business function that should be included in entities’ operational resilience planning. Boards should set tolerance levels for payments downtime and incident recovery, much as UK regulators now require firms’ boards to approve impact tolerances for important business services like payments. Ensuring that payments are identified as an “important business service” in operational resilience terms would prompt boards to oversee scenario testing (e.g. response to an NPP outage or mass fraud event) and to invest in robust backup arrangements. In short, integrating payments explicitly into the operational risk and resilience agenda will support the overall governance uplift APRA seeks, by reducing the likelihood and impact of major payment disruptions.
- **Enhanced Reporting and Accountability:** To reinforce the above measures, APRA could recommend enhanced internal reporting on payments at the board level. However APF acknowledge the role of the RBA in monitoring and managing the stability of payment markets and infrastructure, so no specific or detailed recommendations are stated here.

Collectively, the above recommendations aim to embed payments firmly into the awareness and understanding of Australia’s financial institutions. They do not necessarily create new standalone obligations, but rather integrate payments considerations into existing governance frameworks – ensuring consistency with APRA’s broader prudential approach. We believe APRA can implement these changes in a proportionate way (for example, scaling expectations based on entity size and complexity, as is done in other proposals), so that smaller institutions are not overburdened even as minimum standards are raised.



Global Benchmarks and Best Practices

In advocating for modernised payments governance, APF notes that Australia would be aligning with emerging global best practices. Around the world, regulators and industry bodies are recognising the benefits of stronger board oversight of payments and operational resilience:

- **Basel Committee Standards:** The Basel Committee on Banking Supervision has long emphasised the role of bank boards in operational risk management. The Committee's Principles for Sound Management of Operational Risk make clear that effective operational risk management reflects the effectiveness of the board and senior management in overseeing the bank's processes and systems. In its updated 2021 principles, Basel highlighted that boards should take a leading role in establishing a strong risk management culture and must approve and periodically review the operational risk management framework. These global standards implicitly cover payments operations as a major source of operational risk. By formally incorporating payments oversight into governance expectations, APRA would be aligning with the spirit of Basel's guidance – ensuring that board governance keeps pace with where significant risks (and customer impact) lie in modern banking.
- **UK Operational Resilience Regime:** In the United Kingdom, regulators have introduced explicit requirements for boards to engage in operational resilience, particularly for important services like payments. The Prudential Regulation Authority (PRA) now requires banks to identify their important business services (for example, processing of payments in or out) and set *impact tolerances* for maximum acceptable disruption. Firms' boards must approve these identifications and tolerances, and oversee testing and improvement plans. This approach reflects an understanding that a payments outage can threaten not only a single institution but also financial stability and customer welfare. As the PRA supervisory statement notes, boards' focus on operational resilience is growing more important in a technology-dependent financial sector. Early experiences in the UK indicate that such governance expectations drive firms to fortify their payments infrastructure and continuity arrangements, reducing the frequency and duration of outages. Australia can draw on these lessons by similarly expecting board-level attention to payments resilience. Doing so would likely improve incident preparedness and reinforce the shared industry goal of uninterrupted, safe payment services.
- **Other Jurisdictions:** Many jurisdictions are pursuing payments modernisation (e.g. Europe with SEPA Instant, the US with FedNow, etc.), and they face similar



governance considerations. While regulatory approaches vary, a common theme is the need for strong risk oversight during transitions to real-time payments. For instance, central banks and regulators often increase scrutiny of participant banks during major payment system upgrades to ensure adequate controls are in place. Leading banks globally have responded by establishing board committees or dedicated forums for technology and operations risk, which encompass payments. The benefits of modernised payments governance are evident: institutions that treat payments as a strategic priority tend to have fewer operational incidents, are quicker to adopt innovation (gaining competitive advantage), and are more trusted by customers and regulators. APF encourages APRA to position Australia as a leader in this space by setting clear governance expectations that resonate with international best practice.

In summary, global trends support APF's view that now is the time to formalise and strengthen payments awareness and understanding. By learning from peers overseas and aligning with high standards like those of the Basel Committee, APRA can enhance the resilience and reputation of Australia's payments ecosystem.



Focusing on End-User Outcomes

APF wishes to emphasise that improved governance is ultimately about delivering better outcomes for end-users – the individuals, businesses and communities relying on payment services every day. A modern payments system should not only be efficient and innovative, but also safe, accessible, and user-centric. Board-level attention can help ensure this end-user focus is maintained, through priorities on protection, education, and experience.

Protection: Strong governance translates to stronger protections for customers. When boards press management on fraud and scam mitigation, banks invest in better fraud detection tools and customer safeguards. When boards insist on robust operational continuity plans, customers are less likely to experience disruptive outages or payment errors. The RBA has warned that sophisticated scams threaten confidence in the payments system, and it is engaging with industry to combat these risks. Governance uplift can reinforce these efforts – for example, a board might mandate additional controls for PayID/real-time payment validations to curb scam losses, or oversee restitution policies for victims of payment fraud. APRA’s standards could encourage boards to explicitly consider customer impacts in their risk appetite for payments. Ultimately, a bank that effectively governs its payments operations will provide safer service to its users, maintaining trust in digital payments.

Education: As new payment services are rolled out (such as PayTo and other NPP innovations), consumer and business education is crucial. APF believes that governance should encompass ensuring end-users are well informed and prepared to benefit from these changes. Boards should champion initiatives to educate customers about new payment options, their features, and how to use them safely. We note that industry bodies are already focusing on end-user readiness – AP+, for example, has made it a core priority to educate end-users on the benefits of the NPP and to support their transition to the new system. Boards can reinforce this by allocating funding and attention to customer education campaigns, and by monitoring metrics like customer awareness and adoption rates. In a governance context, this reflects a broader duty of care: overseeing not just the technical implementation of payment systems, but also the ecosystem preparedness and understanding among those who will use them.

Experience: Enhancing the customer experience should be a central objective of payments modernisation, and boards have a role to play here too. Innovative services like PayTo promise a superior experience – giving customers greater visibility and control over their recurring payments compared to the old direct debit system. Governance processes should thus evaluate not only operational risk, but also whether the institution’s payment offerings are meeting customer needs and expectations. APF



recommends that boards include customer experience metrics in their oversight of payments (for example, Net Promoter Scores for payment services, statistics on payment errors or complaints, etc.). By tracking such indicators at the board level, institutions signal that user experience is taken seriously as a governance matter. This aligns with the industry’s push to make payments user-friendly, fast, and transparent in the modern era. A positive end-user experience, underpinned by strong protections and education, will drive trust and wider adoption of new payment platforms – ultimately fulfilling the public policy goal of a more efficient and inclusive payments system.

Incorporating end-user considerations into payments governance also resonates with the broader mandate of financial regulators to ensure fair and reliable services. APRA’s prudential supervision, while focused on safety and stability, can complement consumer protection objectives by nudging boards to consider the customer impact of their decisions in payments. APF supports an approach where governance standards implicitly encourage a balance between innovation and customer safeguards. For example, as institutions experiment with open banking payment initiation or digital wallet integrations, boards should weigh the benefits to customers against potential risks, and ensure appropriate risk controls are in place from the start.



Conclusion

The Australia Payments Forum thanks APRA for the opportunity to contribute to the Governance Review. We strongly believe that formal recognition of payments oversight as a board responsibility, coupled with targeted guidance and education, will strengthen the overall resilience and performance of Australia's financial system. The replacement of BECS with the NPP and related innovations is ushering in a new era for payments – one that is real-time, data-rich, and increasingly complex. Governance arrangements must keep pace with this change. By updating prudential standards to embed payments awareness and understanding, APRA can set clear expectations that boards lead from the top in managing payments risk and strategy.

Our submission has outlined the strategic importance of the BECS–NPP migration, the case for board-level accountability amid rising fraud and operational challenges, the current gaps in standards, and recommendations to uplift practices in line with global benchmarks. At the heart of these proposals is a focus on the people who use the payments system. With stronger governance, end-users will benefit from a safer, more reliable, and more empowering payments experience. Boards of financial institutions are the stewards of trust in banking services – and in 2025 and beyond, payment services are integral to that trust.

APF stands ready to assist APRA as it refines its governance framework. We would welcome ongoing dialogue or participation in any roundtables to further discuss these issues. In implementing changes, we encourage APRA to continue its consultative approach, ensuring that the new governance expectations are effective yet proportionate. We are confident that with the right settings, Australia can lead in payments governance and enjoy the benefits of a modern payments infrastructure that is both innovative and securely overseen. Thank you for considering our views as part of this consultation process.



Appendix 1 : Case Studies of Payments Governance Breakdowns

Westpac Banking Corporation (Bank)

Westpac suffered a major payments governance failure in 2019 when AUSTRAC accused it of 23 million breaches of anti-money laundering/counter-terrorism financing (AML/CTF) laws. The bank's lax controls meant it ignored red flags for years, even allowing payments from convicted child sex offenders and high-risk jurisdictions to go unchecked. AUSTRAC described these contraventions as "systemic failures" of Westpac's control environment, citing indifference by senior management and inadequate oversight by the Board – a clear breakdown in governance over payments compliance.

Regulators responded with unprecedented enforcement. AUSTRAC's action led to Westpac admitting the breaches and paying a record A\$1.3 billion fine (the largest civil penalty in Australian corporate history). APRA also intervened, imposing a A\$1 billion capital add-on and a court-enforceable undertaking to remediate risk governance, after finding Westpac's risk culture and oversight "immature" and in need of substantial uplift. The fallout saw Westpac's CEO and chairman resign in 2019 amid public and political scrutiny. These breaches – including transactions possibly linked to child exploitation – inflicted severe reputational damage, prompting public apologies and a commitment to overhaul Westpac's compliance and board oversight of payments. Shareholders also felt the impact, with Westpac's share price dipping as investors absorbed the financial and trust costs of the scandal.

GenesisCare (Healthcare Provider)

GenesisCare (a major cancer care provider) experienced a payments governance breakdown in 2023 involving its internal patient billing system. The company discovered that its proprietary "EasyPay" payment program had been improperly charging patients and claiming Medicare payments when it was obliged to bulk-bill certain treatments. In other words, GenesisCare wrongly claimed Medicare funds due to issues with the 'methodology' of its patient loans system, effectively double-charging in violation of Medicare rules. This lapse in controls over billing practices represents a governance failure in overseeing payment processes and compliance with healthcare funding requirements.

Regulatory and government scrutiny quickly followed. Federal Health Department officials confirmed GenesisCare had informed them of the Medicare billing issues, and the company publicly acknowledged the problem. As GenesisCare entered Chapter 11 bankruptcy protection in the U.S., it struck an arrangement with the Department of Health to remediate these billing failures, including addressing all overcharged



Medicare amounts. The reputational impact was significant: the news of overcharging vulnerable patients eroded public trust and raised questions about the board's oversight of compliance. The incident occurred amid GenesisCare's financial collapse, compounding its challenges. While no specific fine was reported, the provider faced government intervention and was required to rectify its processes, highlighting the consequences of weak governance over payment systems even outside the financial sector.

Star Entertainment Group (The Star Casino)

The Star casino operator fell into severe trouble after widespread payments and AML control failures. A 2022 public inquiry (the Bell Review) in New South Wales found that The Star had enabled money laundering, large-scale fraud and foreign interference between 2016 and 2021. Alarming, the inquiry noted that even as such illegal payments flowed through the casino, the board had been warned that anti-money laundering controls were failing, yet adequate action wasn't taken. This pointed to a fundamental breakdown in board-level governance and oversight of the casino's payment channels and risk management.

Regulatory findings were damning. The NSW regulator declared The Star unfit to hold a casino licence and in October 2022 suspended its Sydney casino licence indefinitely, appointed an external manager, and fined the company A\$100 million – the maximum penalty allowable. Similarly, Queensland's regulator imposed a A\$100 million fine on Star's casinos there for AML compliance breaches. AUSTRAC also launched civil proceedings against Star for systemic AML/CTF violations. The enforcement actions led to a management exodus – The Star's CEO, chair and several senior executives resigned – and the company was forced into massive remediation efforts. The reputational and operational impact has been dire: patronage fell and the firm's share price plummeted, with years of regulatory penalties and failures pushing Star "to the brink of bankruptcy". By early 2025, The Star was scrambling to refinance debt and remain solvent, underlining how profoundly governance lapses in payments compliance can threaten an organisation's survival.

Crown Resorts (Crown Casino)

Crown Resorts' payments governance failures have been exposed as among the worst in Australia's corporate history. Multiple inquiries (NSW's Bergin Inquiry in 2021 and Royal Commissions in Victoria and WA) uncovered wide-ranging governance problems at Crown, where for years the company facilitated money laundering and illicit payments through its casinos. Crown admitted to egregious AML breaches, including not properly vetting or reporting hundreds of high-risk transactions, allowing money to be brought into its casinos in suitcases and via sham payment arrangements with



foreign junket operators. These inquiries concluded that Crown’s board and senior management failed to uphold basic compliance, enabling a culture that put profit before proper risk management. One judge described Crown’s conduct as “systemic, longstanding and egregious,” which “exposed [the business] and the broader financial system to exploitation by organised crime”.

Regulatory consequences for Crown were sweeping. Crown was found unsuitable to hold casino licences and was only allowed to continue operating under strict government-appointed supervisors and mandated reforms. AUSTRAC pursued Crown for extensive AML/CTF violations, resulting in a record A\$450 million fine in 2023 (one of the largest ever in Australia). This brought Crown’s total penalties to about A\$680 million since 2020, once state-imposed fines for facilitating organised crime and other breaches are included. The fallout forced an overhaul of Crown’s leadership and governance structures – virtually the entire board and executive team were replaced, and the company ceased dealings with high-risk third parties. Ultimately, the reputational damage and loss of trust contributed to Crown’s acquisition by Blackstone in 2022, as the embattled casino sought to “reset” under new ownership. Crown’s saga underscores how major compliance breakdowns in payments and AML controls invite massive fines, legal sanctions, and long-lasting erosion of public and shareholder confidence, reinforcing the need for robust board-level oversight of payments governance.

Sources: Official regulatory reports and statements; coverage by reputable media (ABC, Reuters, BBC, Guardian, AFR) as cited above.