

From: Payment Matters

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Executive Summary

Payment Matters welcomes the opportunity to respond to APRA's Governance Review Discussion Paper (March 2025). We strongly support the intent and direction of the proposed reforms, particularly where they clarify director responsibilities, elevate board accountability, and address persistent governance gaps.

As specialists in payment systems, infrastructure, and ecosystem efficiency, we submit that payment governance now warrants explicit board-level attention - not unlike the elevation of cybersecurity post-Y2K. The evolution of real-time clearing, the BECS wind-down, and increasing AI-driven fraud vectors are creating strategic risks that current governance models are not adequately designed to address.

The Case for Payment Governance at Board Level

Boards of APRA-regulated entities are responsible for ensuring operational resilience and stakeholder trust. Yet, payment systems and flows - the literal lifeblood of financial entities - often lack equivalent governance visibility.

Real-World Failures: What Happens Without Payment Governance

1. Credit Suisse (2023 – Collapse)

Failure to oversee operational risks, including fund flow visibility, led to rapid withdrawal events and collapse.

2. Silicon Valley Bank (2023 – Collapse)

Poor liquidity risk management triggered payment freezes. Board failed to foresee downstream operational risks.

3. Star Casino (AUSTRAC, 2022–23)

Weak transaction monitoring and conflict-riddled payment flows enabled systemic AML breaches.

4. Tyro Payments (Australia, 2021)

Software updates bricked EFTPOS terminals across tens of thousands of merchants. Vendor governance, risk planning, and crisis response were all inadequate.

5. WeWork (2019–21)

Board failed to govern internal payments, allowing routing of licensing fees directly to the CEO.

6. Wirecard (Germany, 2020)

Global fraud stemming from phantom payments and forged settlement flows. Lack of director-level oversight.

Y2K necessitated the need for cybersecurity board-level governance, AI will do the same for payment governance,

The Y2K era marked the first time that boards of directors and regulators were forced to confront the sheer fragility and interconnectedness of digital systems. It required executives to develop a new level of scrutiny over data processing, time-stamping, and system dependencies - disciplines that became foundational to information security. This attention to detail and formal governance of technology systems laid the groundwork for what would soon become the cybersecurity era.

However, it was the rapid rise of hacking, data breaches, and online crime that transformed this technical oversight into a boardroom function - necessitating the establishment of the CISO role to provide continuous executive focus on security, integrity, and technology risk.

We now face a parallel transformation in payments. As real-time infrastructure replaces legacy rails, AI introduces unpredictable fraud tactics, and digital wallets, tokenisation, and third-party acquirers fragment control, payments have become the new operational frontier for financial risk.

Boards can no longer treat payment systems as mere back-office plumbing. These systems are brand-critical, risk-intensive, and often the first point of failure. Just as cybersecurity became a critical boardroom function, payment governance is emerging as a core board responsibility.

Support for APRA's Proposals

We endorse the following proposals with added recommendations:

Proposal 1 – Skills and Capabilities

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- Recommend explicit inclusion of payment ecosystem knowledge (e.g., acquirer contracts, fraud risks, fund flow resilience).

Proposal 2 – Fitness and Propriety

- Support strengthening verification and character checks. Suggest APRA assess vendor risk oversight as part of this.

Proposal 3 – Conflicts Management

- Fully support. Recommend specific guidance for third-party PSP conflicts and rebate/commission transparency.

Proposal 5 – Board Performance Reviews

- Suggest external reviews include operational ecosystem assessments, including payment vendor oversight.

Proposal 6 – Role Clarity

- Strongly support the clarification of board vs. management duties. Recommend boards retain oversight of payment resilience, vendor contracts, and scheme compliance.

Additional Recommendations

- Encourage appointment or designation of a senior executive responsible for payment risk and integrity.

Responses to Discussion Paper Questions

Impact

- **Will the proposed changes strengthen governance?** Yes. They address persistent gaps around capability, accountability, and oversight. We believe the reforms will materially improve the resilience and maturity of board governance, especially where payment systems and digital transformation create risk blind spots.
- **Anticipated impact (costs and benefits)?** Benefits significantly outweigh costs. Short-term investments in skills and reviews will be offset by reductions in fraud, compliance breaches, outages, and reputational harm. Entities with strong frameworks will incur minimal additional burden.

Regulatory Burden

- **Opportunities to reduce burden without diluting intent?**

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- Publish sample board charters or committee terms to reduce custom drafting.
- Allow integrated board reviews that cover multiple standards (risk, culture, payments).

Transition

- **Assisting smooth transition:**
 - Offer APRA-led onboarding workshops for non-SFIs.
 - Pre-publish sample policies, skills matrix templates, and case studies.

Proportionality

- We support APRA's differentiation between SFIs and non-SFIs. Specific views:
 - **Implementation:** Non-SFIs should have standard policies available.
 - **Skills:** Minimum expectations for smaller entities should focus on risk management, payments, and basic prudential literacy.
 - **Renewal:** Succession planning should only be required for SFIs unless elevated risk emerges.
 - **Committees:** Smaller entities to combine audit and risk functions if appropriately disclosed.
 - **Reporting:** Neither SFIs nor non-SFIs are mandated to provide routine reporting under these standards.

Board Delegation

- Boards typically delegate:
 - Internal policy development
 - Performance monitoring
 - Day-to-day compliance and incident response
- With APRA's support, boards could delegate:
 - Internal capability reviews (e.g. payments, cyber) to qualified executives, with oversight via dashboards
 - Annual peer or external assessments (APRA should endorse a list of providers)

Reducing Overlap

- Fit and proper reporting can be streamlined by:

- Allowing FAR declarations to serve as baseline documentation
- Aligning APRA's responsible person requirements with FAR categories
- Implementing shared notification forms and registers between FAR and prudential standards

Conclusion

APRA's proposed governance reforms represent a crucial step forward in strengthening the resilience of Australia's financial system. The recommendations outlined in this submission reflect the evolving complexity of financial services, particularly in payments, and the need for enhanced board-level oversight.

Adding the recommendation of payment governance into these reforms would help address critical vulnerabilities exposed by recent market failures. As financial institutions navigate the transition to real-time payments, increased digitalisation, and emerging AI-driven risks, these reforms will significantly enhance the governance capabilities of APRA-regulated entities.

The proposed implementation timeline and proportional approach demonstrate pragmatic consideration of industry needs while maintaining high standards

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