



2 February 2024

Director – Payments Licensing Unit  
Financial System Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

By email: [paymentslicensingconsultation@treasury.gov.au](mailto:paymentslicensingconsultation@treasury.gov.au)

Dear Sir/Madam

**Payments System Modernisation: Regulation of payment service providers**

The Australian Financial Markets Association (AFMA) welcomes the opportunity to comment on the consultation paper: *Payments System Modernisation: Regulation of payment service providers*.

AFMA's members are heavy users of the payments systems across a number of areas including the clearing and settlement functions of the financial markets.

AFMA is broadly supportive of the proposed approach to payments reform, and we see the project itself as an important one in updating arrangements.

For more specific matters we limit our comments in response to this consultation to those relating to Payment Stablecoins (PSCs), and a related point on the Major Stored Value Facility (SVF) thresholds.

*Proposed framework for Payment Stablecoins*

At a high level AFMA supports the use of a similar regime for token-based assets to that used for existing financial products.

We consider that the proposed approach of regulating the issuance and redemption functions as financial products and not the PSCs themselves could work to create such an outcome depending on the details of the regulatory implementation.

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There are complexities with the proposed approach. For example, we expect there will be multiple cross-over interactions with the financial product regime depending on the details of the PSC and the service being offered. These complexities can be managed, and we suggest the Government reviews the outcomes of the framework, particularly in its early years, to ensure it is meeting expectations, and to assist firms understand how the regime should be applied in various circumstances.

#### *Exposure Draft Consultation Recommended*

There are subtle distinctions that would need to be made in the legislation and regulations to successfully implement the proposed arrangements. We expect that much of the success of the scheme will be dependent on the quality of the drafting process.

As such, we encourage Treasury to proceed to an Exposure Draft consultation in relation to these regulations, with ample time allowed for refinement if it is found to be required.

#### *Interaction with the Digital Asset Facility Framework*

The use of the digital asset facility framework for regulating the holding and transacting of PSCs on behalf of customers would appear appropriate given the digital asset nature of the tokens. Exceptions to this approach are appropriate for more broker-like firms, and potentially other activities, for example, firms that are providers of redemption-like services.

We suggest that further exploration of how these arrangements are expected to work and how they might be used in practice should be made through roundtables and other engagements in order to ensure the framework captures the majority of edge cases.

#### *Criteria for Major SVFs*

In relation to the \$100 million of stored funds threshold for Major SVFs, we suggest that the drafting make clear that this threshold is to apply only for SVFs balances within the Australian jurisdiction. For example, a global bank might have large SVFs in the US or EU but these should not count towards its status as a Major SVF in Australia.

#### *Conclusion*

Thank you for considering our comments in relation to the Regulation of Payments Service Providers.

Yours sincerely

A handwritten signature in grey ink that reads "Damian Jeffree". The signature is written in a cursive style with a large initial 'D' and a long, sweeping underline.

Damian Jeffree  
**Senior Director of Policy**