Brad Jones: Anti-fragility and the financial system

Opening remarks by Mr Brad Jones, Assistant Governor (Financial System) of the Reserve Bank of Australia, to FINSIA: The Regulators, Sydney, 12 September 2025.

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Thank you to FINSIA for the opportunity to be here with you.

For industry and those of us in the policymaking community charged with the responsibility of promoting stability, structural change in the external operating environment is making for unusually challenging times. I am not talking about standard business cycle uncertainty here, but rather a new era of strategic, technological and operational disruption that is cutting across the financial system and wider society in complex ways.

But my main point today is that while these challenges will require a laser-like focus on resilience over the coming years, this does not have to come at the expense of innovation, competition and efficiency. Far from it – these objectives can be mutually reinforcing. As industry and regulators, our challenge here is to work creatively to build a financial system that has an 'anti-fragile' character. A system that is vulnerable to disruption – geopolitical, technological, or otherwise – has inherent fragility and is more likely to break when stressed. By contrast, and to invoke Nassim Taleb's characterisation, an anti-fragile system is one that can not only weather most storms but stands to benefit from disruptive change.

A new era of disruption?

The international system is undergoing seismic adjustment – on a scale and speed unseen in eight decades. The wheels of globalisation are grinding with more friction. Key tenets of the rules-based international order are being challenged. The strategic environment is becoming more contested and complex. And for financial institutions, and even nations, self-insurance against a wide range of scenarios is assuming more prominence than at any time since the end of the Cold War. In short, the era of the peace dividend is over.

We are also navigating a period of rapid technological transformation. As the financial system is increasingly digitalised, the surface for cyber-attacks is expanding, fuelling a new cyber arms race. Cloud computing is helping to alleviate single points of failure, but concentration risk in cloud and other advanced technology service offerings risks amplifying third-party dependencies. Quantum computing will also raise its own set of challenges and opportunities. And while artificial intelligence (AI) could unleash a burst of productivity across industries and economies, my discussions with international counterparts reveal concerns about its potential to accelerate fraud, misinformation and other sources of financial instability. One example is contagion and herding risk, where parties could come to rely on similar models trained on similar data that therefore generate similar actions – including in a crisis. Moreover, the complexity of AI systems developed outside the regulatory perimeter means that systemic vulnerabilities could grow in a way that is not obvious to the boards of financial institutions or supervisors.

The resilience of the financial system to disruptions to critical infrastructure – the electrical grid and telecommunications network – is also a growing focus internationally. These challenges are not just limited to cyber intrusions, surging energy demands from big data and extreme weather events. In April, cascading power outages on the Iberian Peninsula affected 50 million households and prompted the Spanish Government to declare a national emergency. While economic activity declined by almost half its daily level, these disruptions would have been worse still had the functioning of key financial infrastructure also been compromised. And small, low orbit satellites are increasingly being viewed as an important source of 'all hazard' redundancy when mainland telecommunications capabilities are stressed, as seen in Ukraine and elsewhere.

Anti-fragility – building resilience through innovation and dynamism

Confronted with extreme-but-plausible sources of systemic disruption, it might be tempting for financial system regulators to prioritise resilience over all else, including innovation, competition and efficiency. But I'm not persuaded that casting these objectives as a trade-off – resilience on the one hand, or innovation, competition and efficiency on the other – is a helpful framing. Rather, the opportunity we must grasp is to have these concepts mutually reinforce one another.

To that end, the RBA's Payments System Board has long had a mandate to support competition and efficiency in a manner that is consistent with stability in the financial system. My colleagues and I are well aware of the regulator curse, otherwise known as 'the stability of the graveyard', where an excessive desire to minimise risk in the system could come at the cost of robbing it of all vitality and therefore its ability to support economic growth over the long term.

With that in mind, our recently updated Strategic Plan places considerable emphasis on harnessing the forces of innovation, dynamism and competition to better promote resilience in the Australian payments system and across our financial market infrastructure more generally.[1] It is in this sense that we are striving to give our system an 'anti-fragile' character. Let me provide some recent examples.

First, under a rebooted Industry Resilience Initiative, the RBA and APRA are working with the major banks, Australian Payments Plus and AusPayNet to enhance existing capabilities and develop new ones to ensure essential payment services can continue to operate in the event of a significant disruption to our payments system. This 'all hazards' initiative is one of the key pillars of a significant program of work the Council of Financial Regulators are progressing with industry to strengthen the resilience of our financial system to geopolitical and operational risk. This includes a system-wide mapping of potential vulnerabilities.

Second, as the vision for Australia's future account-to-account (A2A) payments takes shape, the RBA is engaging with industry to ensure that resilience is baked into new technological solutions. Following our Risk Assessment in March, we recently set out a Public Interest Framework to guide industry in their strategic planning for the future A2A system.[2] This is a technology agnostic, principles-based framework that prioritises the reliability of the payments system through robust contingency and recoverability arrangements, alongside new functionality spurred by competitive tension and innovation. As a practical example, we view interoperability – the ability for systems to connect to each other – as integral to promoting resilience, competition and efficiency. In good times, end users will have greater choice over service providers; when systems go down, contingency options will be available.

Third, given advances in quantum computing will pose a risk to the secure exchange of payment details, we are strongly supporting industry efforts to migrate to the Advanced Encryption Standard (AES), which is viewed as a quantum-safe solution. Nefarious actors are already storing vast amounts of data with the expectation of breaking current encryption standards down the track – a strategy known as 'harvest now, decrypt later'. In the absence of greater urgency and effective industry coordination, there is a risk that the migration to the AES for card payments will occur too slowly, leaving end users exposed to increased risk of fraud. This could undermine trust in card payments and the wider financial system.

Fourth, in an effort to promote more competition in financial market infrastructure (FMI), the Payments System Board recently raised the threshold beyond which firms are required to comply with the Financial Stability Standards for Securities Settlement Facilities. This step, where the annual settlement activity threshold increased from $200 million to $40 billion, has already helped to streamline clearing and settlement facility licence applications for small firms, and we hope to see more entrants emerge to stimulate competition and diversify risk across the FMI landscape.

Fifth, we have been engaged in two projects – Acacia and Mandala – aimed at strengthening the efficiency and resilience of wholesale and cross-border payments. In Project Acacia, we are working alongside the Digital Finance Cooperative Research Centre, industry partners and regulators to better understand how innovation in financial infrastructure and digital money, including central bank digital currency, might uplift the functioning of Australia's wholesale financial markets.[3] We are also preparing to support Treasury and ASIC in a review of the enhanced regulatory sandbox to ensure it best supports innovation and resilience across the payment and FMI ecosystem. At the same time, we are collaborating with central bank partners on Project Mandala, which aims to develop protocols to automate regulatory compliance processes in cross-border payments using new types of ledger arrangements. The aim here is to make cross-border payments more transparent, faster and safer.

Finally, we are assisting the Government to advance and implement its payments regulatory reform agenda – including reforms to the Payment Systems (Regulation) Act and licensing arrangements. These reforms will boost regulatory clarity for industry and strengthen the ability of financial regulators to promote innovation, competition and resilience in the system. Without this, network and other effects mean that the payments industry could tend towards anti-competitive outcomes, where dominant players impose barriers to entry that raise costs for businesses and consumers and stifle the sort of positive disruption that startups often introduce.

Concluding remarks

To conclude, ensuring our financial system remains strong and resilient has never been more important. If we are to meet this challenge head on, we will need to harness the forces of innovation, competition and dynamism more fully and more creatively. My colleagues and I at the RBA and on the Payments System Board are committed to working constructively with industry to make this happen. Australians are depending on all of us here to get this right.

Thank you, and I look forward to your questions.

Thanks to colleagues in Payments Policy Department for their assistance in preparing these remarks.

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[1] Payments Systems Board (2025), Annual Report 2025 (forthcoming).

[2] RBA (2025), 'Decommissioning of the Bulk Electronic Clearing System: RBA Risk Assessment', March; RBA (2025), 'Public Interest Framework for a Successful Account-to-Account Payments System', July.

[3] RBA (2025), 'Project Acacia: RBA and DFCRC Announce Chosen Industry Participants and ASIC Provides Regulatory Relief for Tokenised Asset Settlement Research Project', Media Releases No 2025-18, 10 July.