

Chairman's review

I am pleased to present the "Reviews" section of APCA's 2007 Annual Review, reporting on APCA's activities and key developments this year.

2007 was a year of renewal and reform – one of internal restructure and external responsiveness to new public policy demands and market evolution.

As foreshadowed in last year's report, with the industry facing significant opportunities and challenges, our strategic focus has been on ensuring APCA is well-placed to continue to deliver member value in a changing environment.

Following completion of the board's strategic review during the year, APCA adopted new core principles recognising the company's enlarged mandate: to improve the Australian payments system through industry policy, self-regulation and change management. I am confident that this expanded industry role positions APCA to help the industry meet the challenges ahead, while meeting our commitment to members to enhance the long-term value of their payment activities.

From these core principles came a set of corporate goals providing guidance for APCA's priorities over the next three years. To best fulfil APCA's purpose, the organisation was restructured into four teams based around the core activities. Close consultation between the Reserve Bank and other members led to a significant change in relationship with the public regulator: the Reserve Bank stepped down from the board and committees in favour of a structured cooperative dialogue with APCA. Some new staff have added key competencies and the company moved to new, open plan premises to provide additional space for enhanced member services. It seems particularly fitting that these activities took place during the 15th anniversary of APCA's establishment.

APCA has already commenced work to address a range of developmental and policy issues identified by members and the regulator. Together with the Australian Bankers' Association, we are developing options for a commercial governance structure to promote and develop the EFTPOS system. This work follows some joint exploratory work about the best way to ensure an efficient, competitive payment card industry over the long term. APCA will also make a detailed submission in response to the



Reserve Bank's review of its various payment system reforms. We intend to highlight why co-regulation – effective self-regulation supported by public policy oversight – is the best regulatory model for the Australian payments system. These and other industry activities are discussed in the body of this report.

I would also like to mention some of the projects managed by APCA to improve the effectiveness and efficiency of the payments clearing systems. As part of the industry's commitment to combat fraud and help protect consumers and businesses in Australia, new industry-wide data on payments fraud was collected for the first time and made available on APCA's website. Further enhancements were made to the CECS device approval process, which ensures ATMs and EFTPOS terminals deployed in the ATM/EFTPOS systems meet the required standards, to clarify the requirements for members and suppliers alike. Good progress has also been made on developing the technical specifications and standards for domestic PIN based transactions processed using chip card technologies.

APCA's expanded industry role is reflected in this year's Annual Review, which is produced in two sections. In addition to the following "Review", a separate "Views" section raises topical issues on the payments industry's agenda. We trust that the online format of this year's Annual Review will ensure payments information is accessible to everyone with an interest in the payments system.

Having completed eight years as chairman, when my current term expires in October 2007, I have decided to retire from my position. I would like to thank the current board and past directors, CEO Chris Hamilton and members of APCA's staff for their support and dedication. I leave APCA well-positioned to meet all currently identified payments related projects and future challenges that will arise in a continuing evolving marketplace.



Robert N Challis
Chairman