

Chairman and CEO review

APCA values integrity, collaboration, fairness, analytical rigour and informed debate and decision-making.



RUSSELL RECHNER

CHRIS HAMILTON

IT SEEMS APPROPRIATE TO MARK OUR NEW PARTNERSHIP THIS YEAR WITH A JOINT CHAIRMAN AND CEO REVIEW.

In 2007, the focus was on articulating APCA's role in payments industry strategy and policy, to complement its ongoing self-regulatory and operational activities. In 2008, the focus shifted to integrating these strategies and policies into everything we do. This year's Annual Review reflects that integration.

These are difficult times for financial markets and financial institutions, as any newspaper reader will know. The United States is experiencing wholesale restructure of its banking system, with consequences for the rest of the world that can, at this stage, only be guessed at. The world's payments systems have exhibited resilience and stability despite this turbulence, handling changing payment flows without increasing systemic risk. Such times also confirm payments activity as core business for financial institutions: payments remain a vital, valued service for retail and commercial customers, and therefore a reliable source of recurrent business.

The Australian payments system continues to grow on almost every measure: volume, value, participants, users, access points, products and diversity. In pursuit of its corporate purpose, APCA worked with its members to identify corresponding growth opportunities in its unique value proposition – payments industry collaboration to improve the Australian system. Our conviction is that this will also lead to long-term benefit for our members' payment activities.

APCA's membership community has expanded during the year, notably with the admission of Woolworths Limited as the second retailer participant in CECS and the immediate appointment of its representatives to the CECS Management Committee. As the industry landscape changes, it is pleasing to see not only new members, but new kinds of members, seeing value in joining APCA.

In 2008, APCA sought to engage directly with payments stakeholders outside our membership community. For many years APCA has consulted with major payments users and service providers through its three advisory councils. This year, we have also worked with and consulted across an even broader community, reinforcing our unique role as a forum for addressing complex system-wide issues.

We have worked with card schemes, the merchant community represented by the Australian Merchant Payments Forum, consumer groups and others on issues of general relevance to the Australian card payments system. These include:

- \ The Reserve Bank reform proposals
- \ Industry self-governance
- \ The collection, collation and publication of industry fraud statistics
- \ The chip card roll-out
- \ ATM direct charging reforms
- \ The long-term direction of low value payments

More about these issues can be found elsewhere in the Review.

Another aspect of APCA's industry policy role is to assist in the resolution of complex issues of payments public policy. APCA is able to provide both the forum for debate, and often, the implementation framework. This typically involves multilateral negotiation amongst industry participants and Government. We believe that APCA has added significant value this year by providing practical advice and change management on:

- \ ATM network access and charging arrangements; and
- \ Implementation of an account-switching facilitation package to enhance competition in financial services by making it easier for consumers to change their transaction accounts.

Within our industry direction remit, we have sought to promote debate on the long-term evolution of our industry while still attending to what is urgent. APCA published white papers, and invited comment, on two long-term structural issues:

- \ Frameworks for effective industry self-governance; and
- \ The evolution of low value payment services.

We have had an encouraging level of debate and engagement on both, and look forward to some resultant actions in 2009.

We believe that the net effect of these changing dynamics is a changing industry view of APCA. It is becoming recognised as a venue for the solution of difficult industry and systems challenges. This aligns well with our corporate vision of excellence in payments system evolution.

We particularly thank the staff of APCA for their unstinting teamwork and dedication. Our senior management team and their small focused teams have this year risen to every new challenge.

We also recognise the ever-increasing contribution of the member representatives who give generously of their time and expertise. APCA's work could not get done without high levels of member commitment.

Staff and members will again be called upon in the coming year. Elsewhere, this Review suggests that payment systems, like other networks, have cycles of product and network innovation – and that we are now entering a cycle of network innovation. APCA's commitment to its stakeholders is to provide the venue to decide what needs to be done for the long-term health of the payments system, and the vehicle to get it done through the collaboration of many.



RUSSELL RECHNER
Chairman



CHRIS HAMILTON
Chief Executive Officer

NEW DYNAMICS

Robert Challis retired in December 2007 after eight years in the chair at APCA. Bob provided a steady, experienced hand on the tiller during the earlier CEO transition from Peter Smith to Chris Hamilton in 2006.

After an extensive search, new chairman Russell Rechner took over in January 2008. Russell has broad experience in banking, retailing, superannuation and industry collaboration, making him eminently well-suited to take up the role of APCA's independent chairman.