

# Australian Payments

Payment systems often remain in the background but they are vital to the functioning of the overall economy.

APCA manages five Australian payment systems:

- \ Australian Paper Clearing System (APCS) – for Cheques;
- \ Bulk Electronic Clearing System (BECS) – for Direct Debit and Direct Credit;
- \ Consumer Electronic Clearing System (CECS) – for Card payments at ATMs and EFTPOS terminals;
- \ High Value Clearing System (HVCS) – for settlement of High Value, real-time payments; and
- \ Australian Cash Distribution and Exchange System (ACDES) – for the trading and distribution of bulk notes and coins between banks.

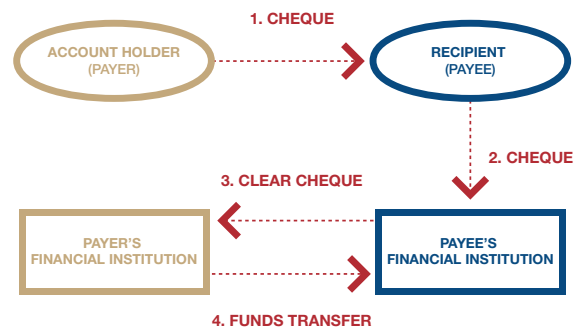
In this section, we provide simple, clear explanations of Australia's payment systems – most administered by APCA, some separately operated.

## Cheques

Cheques were the main non-cash payment form in Australia until the 1980s. They have become increasingly less common over the last decade as faster and more convenient payment systems have taken over. Today, cheques are mainly used where immediate value is not required, such as business-to-business transactions.

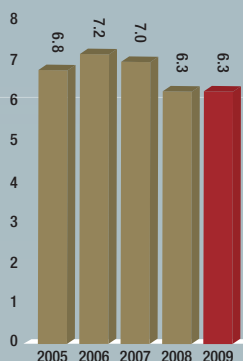
Cheques are unique in that they need to be physically presented to the financial institution they are drawn on for payment decisions. Most people who receive cheques (payees) deposit them with their own financial institution. Usually, an electronic payment record containing details from the cheque is created and sent to the account holder's (payer's) financial institution. This record is used to check the account holder has sufficient funds to make payment; however, the cheque still needs to be physically transported to the account holder's financial institution for signature verification and other checks. Once the cheque has been "cleared" by the payer's financial institution, the payee is able to withdraw the funds.

The procedures managing the flow and reconciliation of cheques are covered by APCA's Australian Paper Clearing System (APCS). APCA also sets standards to ensure the quality of cheque printing and to help combat cheque fraud.



**\$6.3bn**

AVERAGE VALUE OF CHEQUES PER BUSINESS DAY (IN \$BILLIONS)



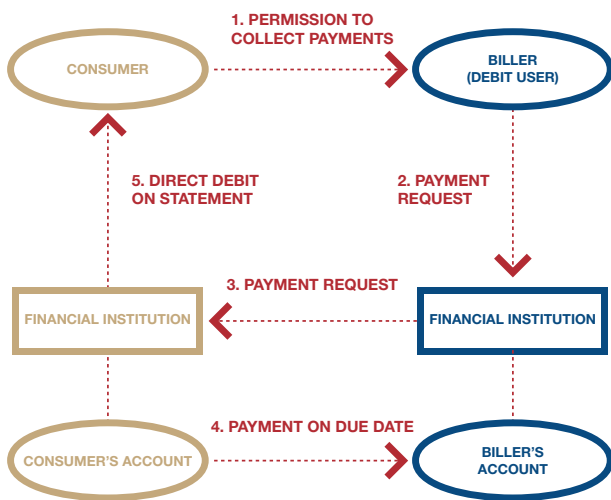
SOURCE: APCA – [www.apca.com.au](http://www.apca.com.au)

## Direct Debit, Direct Credit and BPAY

### Direct Debit

Direct debit is a simple and convenient way for consumers to make regular payments straight out of their financial institution account. It is most often used for regular transactions like mortgage repayments, insurance premiums and utility bills. To pay by direct debit, consumers need to complete a Direct Debit Request (DDR) authority with the business or company (the biller) that they wish to pay. The DDR gives the biller permission to collect payments from the consumer's account on a regular agreed due date without the consumer having to manually arrange a payment. Once the biller has initiated the collection process payment is made through the financial institution where the consumer's account is held.

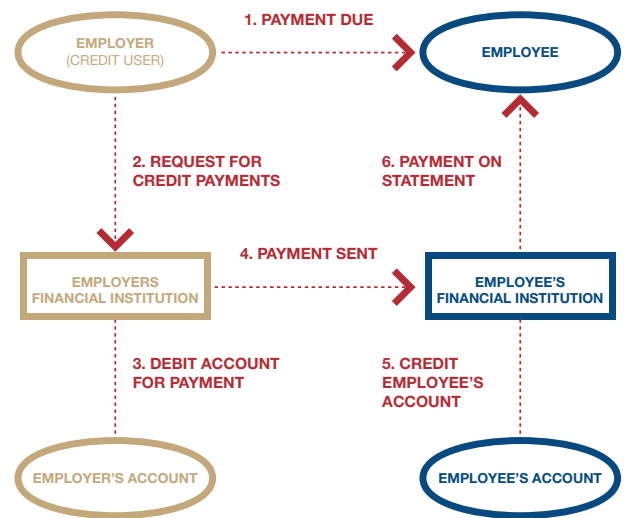
Billers that accept DDRs from consumers are known as Debit Users. There are some 18,000 Debit Users in Australia.



### Direct Credit

Direct credit is widely used by businesses to make regular, low value payments into transaction accounts. Common examples are salary payments, (see diagram) payments by government departments such as Centrelink allowances, and dividends and interest payments. In recent years, direct credit is also being used to provide widespread access to internet-based (sometimes called "Pay Anyone") and phone-based banking services.

Businesses initiating direct credits (either for themselves or on behalf of customers) are known as Credit Users. There are about 240,000 Credit Users in Australia. To receive direct credit payments, account holders simply need to give their account details to the Credit User.



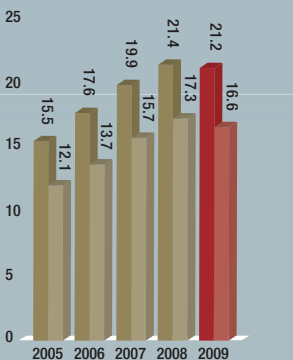
### BPAY

BPAY is Australia's bill payment service. Financial institutions provide convenient phone and internet access for customers to pay bills electronically out of their accounts, enabling a more efficient collection service for billers.

APCA's Bulk Electronic Clearing System (BECS) provides rules for the exchange and settlement of direct debit and direct credit payments. BPAY is operated by the Cardlink Group under its own set of rules, and is owned by five Australian banks.

**\$37.8bn**

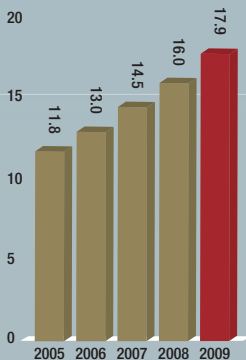
AVERAGE VALUE OF DIRECT ENTRY TRANSACTIONS PER BUSINESS DAY (IN \$BILLIONS)



SOURCE: APCA - www.apca.com.au

**17,904**

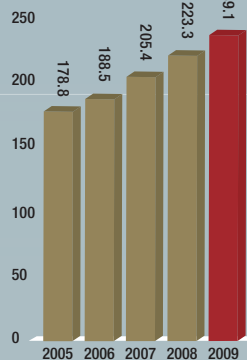
NUMBER OF DIRECT DEBIT USERS AS AT 30 JUNE (000's)



SOURCE: APCA - www.apca.com.au

**239,146**

NUMBER OF DIRECT CREDIT USERS AS AT 30 JUNE (000's)



SOURCE: APCA - www.apca.com.au

# Australian Payments (continued)

## Card Payments

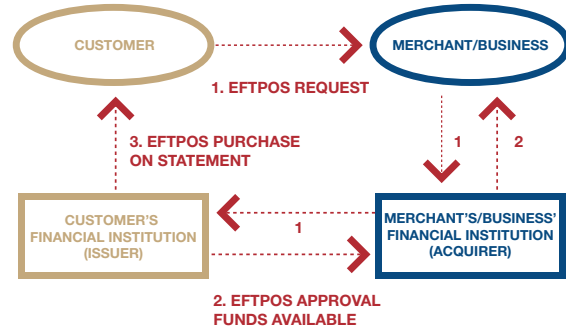
Apart from cash for small purchases, by far the most common retail payment method is a debit or credit card. Cards are used for in-store purchases (where the store has an EFTPOS terminal), to withdraw cash from an ATM, or for purchases over the phone or on the internet. There are some 48 million plastic (debit and credit) payment cards on issue or *about 2.6 cards for every Australian over 18 years of age*.

Australian financial institutions issue proprietary PIN-based (or ATM) debit cards, and Visa or MasterCard scheme cards. Scheme cards can be either credit (payment is made out of a credit account with the financial institution) or debit (payment is made out of a transaction account). Often, these scheme cards have PIN-based debit functionality on the same card. There are also charge cards such as American Express and Diners Club.

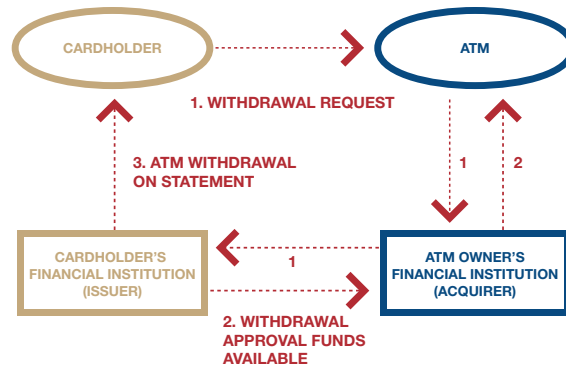
Transactions made on debit cards are customer withdrawals from accounts so funds are taken out of the account immediately. Credit card transactions are credit advances and are repaid at the cardholder's convenience according to the agreed terms.

There are more than 27,000 ATMs and some 670,000 EFTPOS terminals across Australia. APCA's Consumer Electronic Clearing System (CECS) provides rules and procedures governing the exchange of ATM and EFTPOS transactions. Visa, MasterCard, American Express and Diners Club all operate their own infrastructure and maintain their own rules and requirements.

## EFTPOS Purchase

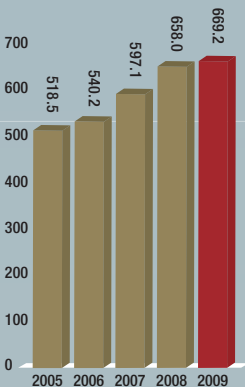


## ATM Withdrawal



**669,165**

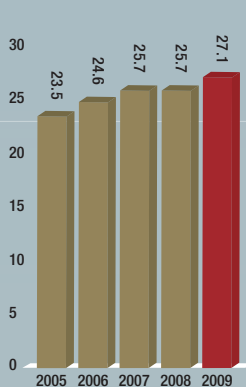
NUMBER OF EFTPOS TERMINALS AS AT 30 JUNE (000's)



SOURCE: APCA - www.apca.com.au

**27,108**

NUMBER OF ATM TERMINALS AS AT 30 JUNE (000's)



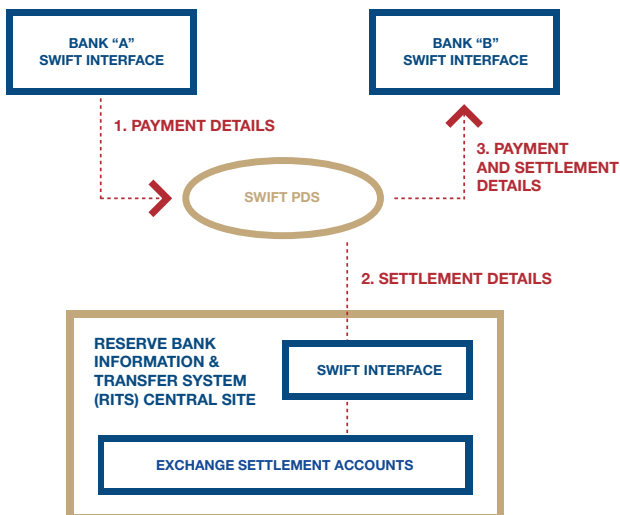
SOURCE: APCA - www.apca.com.au

## High Value

High value payments are generally made between financial institutions either for themselves or on behalf of corporate customers. Around \$100 billion or 90% by value of Australian payments are "high value" payments.

High value payments are immediate and irrevocable. Payment details are sent and verified through the Payment Delivery System (PDS) provided by SWIFT and each payment is settled individually using the Reserve Bank Information and Transfer System (RITS). Each financial institution holds an exchange settlement account within RITS and payment is settled across these accounts on a real-time basis. As the funds are settled at the same time as the payment detail is transferred, settlement risk is reduced. While HVCS carries the largest values, the number of individual payments is minuscule compared to the retail payment systems.

APCA's High Value Clearing System (HVCS) provides rules and procedures for the exchange of SWIFT PDS payments.

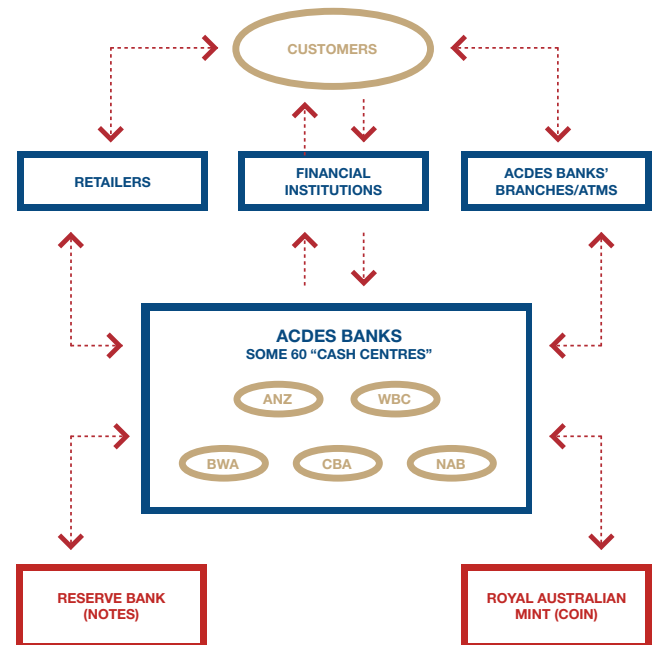


## Cash

Cash is the most common form of payment. Usually cash payments are less than \$50 and cash is almost exclusively used in transactions of less than \$10.

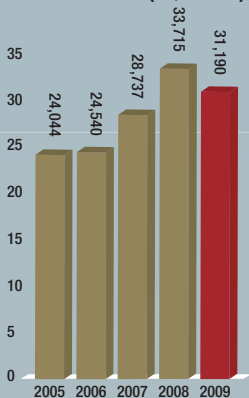
Financial institutions have long had responsibility for supplying cash to the community. While some financial institutions obtain their cash requirements "commercially", usually from armoured carrier companies, the five ACDES banks own and manage their own cash reserves and make them available to everyone else. Together, and working closely with the Reserve Bank and the Royal Australian Mint, they largely supply Australians with the notes and coins they need to carry out daily economic activity.

APCA's Australian Cash Distribution and Exchange System (ACDES) provides a safe and efficient set of rules for the exchange and distribution of cash between the ACDES banks including buying and selling cash, the quality of notes, the packaging of notes and coins and cash movements.



**\$31,190bn**

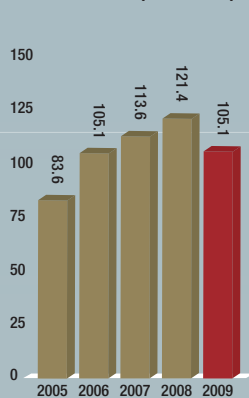
TOTAL VALUE OF HVCS TRANSACTIONS PER FINANCIAL YEAR (IN \$BILLIONS)



SOURCE: APCA - www.apca.com.au

**\$105.1bn**

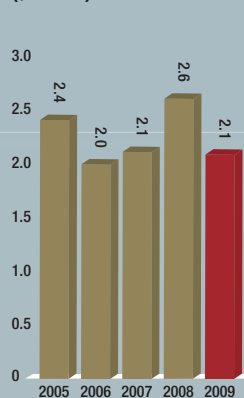
AVERAGE VALUE OF SWIFT/PDS TRANSACTIONS PER BUSINESS DAY (IN \$BILLIONS)



SOURCE: APCA - www.apca.com.au

**\$2.1bn**

VALUE OF CASH TRADES\* (\$BILLIONS)



\* Figures each year are for a 4-week period between May and August.  
SOURCE: APCA - www.apca.com.au