

Chairman and CEO Review



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“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.”

Chairman and CEO review, APCA annual review 2008

Last year’s expectations of payments network innovation have largely materialised, despite the global financial crisis.

APCA is all about payments system efficiency and innovation, but in 2008, innovation in payment systems seemed unlikely.

As the global financial crisis broke, tsunami-like, across world markets, there did not seem much chance of Australian payments institutions doing more than batten down to avoid the watery fate of some international counterparts. Not a pretty picture!

But within a year, cautious optimism is returning. Participants in the payments system have, indeed, commenced a new cycle of collaboration towards improving the system, despite the worst economic conditions for many years. Australia’s payments providers are investing in systemic enhancement on multiple fronts – on their own initiative, and in response to regulator concerns. APCA’s member representatives and staff deserve praise for their contributions to often challenging debates and implementations.

Our core activity – providing self-regulation, standards and administration for five clearing systems comprising 98% by value of Australian non-cash payments – has continued to run smoothly, market turmoil notwithstanding. In stark contrast with many other countries, Australian banking has been stable and reliable, with the GFC discernible in the payments system mainly as an uptick in institutional mergers. Elsewhere in the Review you will see brief summaries of the enhancements and efficiency gains achieved in the five clearing systems, plus statistical performance data.

There continue to be major structural developments in Australian card payments. The developments during the year are summarised elsewhere in the Review. The card system is the platform for increasing competition amongst alternative payment instruments, and as the industry association, APCA's role has involved:

- \ public policy engagement with the regulator on how best to develop this competition;
- \ industry coordination work to bring about structural enhancements to the competitive marketplace; and
- \ developing a high level of engagement with all the stakeholders – whether they are APCA members or not – to ensure an open and informed policy debate as systemic changes occur.

Although lower profile, developments in so-called “low-value payments” – routine commercial, bulk and retail payments – are far-reaching. For the first time, APCA has published an industry roadmap providing a high level vision of how such payments should evolve in the next 10 years, and guidance on the industry effort required to move towards the vision.

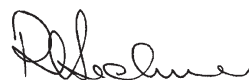
We are already well under way on two key aspects of the future payments environment:

- \ *an integrated communications network*: APCA's members have asked us to coordinate the establishment of a payments “Community Of Interest Network” or “COIN” to renew the communications technology that underpins Australian payments and provide a platform for future payments system enhancement; and
- \ *settlement facilities*: APCA is working with the Reserve Bank and system participants to develop models for timelier, more flexible and lower risk settlement.

As always, more detail appears elsewhere in the Review. These two major projects encapsulate APCA's likely priorities for the coming year – structural enhancement to the platform on which all payment systems in Australia depend, directly or indirectly.

We offer the traditional, nonetheless heartfelt, thanks to APCA's directors and staff, as well as the increasing numbers of member staff who have given their time unstintingly to the cause of industry cooperation through APCA.

The theme for this year's review, “Depth of Field”, is designed to suggest focus on the key element from a mass of detail. A colourful analogy, but we trust it conveys a visual sense of APCA's challenges – seeking the critical consensus out of complexity, and the common ground from diversity. We hope you find relevance and value in these pages.



RUSSELL RECHNER

Chairman



CHRIS HAMILTON

Chief Executive Officer

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