



# PAYMENTS MONITOR

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*PAYMENTS MONITOR is published by APCA each quarter. Its purpose is to keep members and interested parties abreast of developments in payments clearing.*

## FASTER CHEQUE CLEARING IS IN SIGHT.

### FASTER CHEQUE CLEARING

The time it takes to clear cheques has become a matter of particular public interest. APCA has a project underway to produce faster cheque clearing. The following is the text of a press release issued by APCA in November 1997 which provides information on this project and its expected outcome.

*"The APCA Board has set the timetable for the achievement of electronic presentment and dishonour of cheques (and payment orders). This will permit a significant shortening in the time it takes to clear a cheque.*

*Following the announcement last month that APCA's members would be required to be ready for testing of the new procedures by 1 July 1998, APCA has now set a timetable for the next stage, the progressive conversion of cheque exchanges to the new procedures between the end of October 1998 and April 1999.*

*By end April 1999 all participating members of APCA's Australian Paper Clearing System will be using the new procedures.*

*Dr Peter Smith, APCA's CEO, said that the aim is to put collecting financial institutions (i.e. those accepting cheque deposits) in a position on business day three to know whether a cheque exchanged on business day one is paid or dishonoured or requires further action.*

*"This will enable collecting financial institutions which have implemented the necessary internal systems to either provide clear funds on the morning of business day three or to know when the pay or dishonour decision will be made."*

*Under the new procedures cheque particulars will be transmitted electronically, as will dishonours. Cheques will still travel to the paying institution for examination, storage and retrieval but action, for the most part, will be taken on the electronic message.*

*The new procedures represent a significant advance on the existing procedures in both shortening and standardising the cheque clearing cycle.*

*Under the existing procedures cheques have to be physically delivered to the paying institution and returned if dishonoured.*

*Distance and the need sometimes for cheques to pass through several financial institutions means that clearing times are variable and often five days and longer."*

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APCA IS EXAMINING THE PAYMENTS INDUSTRY'S POSITION WITHIN THE EMERGING FRAMEWORK FOR PUBLIC KEY AUTHENTICATION.

**PUBLIC KEY AUTHENTICATION FRAMEWORK (PKAF)**

At the end of last year APCA concluded that it should begin work with a view to becoming an Intermediate Certification Authority for the payments industry within the emerging framework for public key authentication.

A Public Key Authentication Working Group (PKAFWG) was established to progress this project, and during the course of 1997 produced a number of working papers. In September 1997 the PKAFWG recommended that given the speed at which developments are occurring in the establishment of a framework for public key authentication, and electronic commerce in general, that it was essential that the work being undertaken by APCA be progressed as a matter of urgency.

To this end APCA has appointed an external consultant to assist in the development of a payments industry position. A final report from the PKAFWG, which will bring together the payment industry's views on how PKAF should be implemented is scheduled to be completed in March 1998. This should place the payments industry, through APCA, in a position to provide valuable input to the work which is underway to establish a framework for public key authentication in Australia.

On 14 October 1997, the Minister for Communications, the Information Economy and the Arts, Senator Richard Alston announced the formation of a working group to examine a wide range of PKAF related issues. APCA has been invited to participate in this group.

**SWIFT PDS PAYMENTS TRAFFIC**

The majority of eligible participants have joined APCA's High Value Clearing System, incorporating the SWIFT payments delivery mechanism ('SWIFT PDS'). There are currently 43 members of the System. Of these, 36 have completed certification and joined the SWIFT PDS.

Information is provided in the table below on payments traffic across the SWIFT PDS since August 25 when payments across the system commenced. This traffic will increase markedly once BITS payments between the four major banks migrate to the new system.

**SWIFT PDS PAYMENTS 1997**

	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>
Volume	48	6,499	30,948	30,838
Value (\$M)	\$54.5	\$123,121.0	\$370,015.8	\$423,365.9
No. of Business Days	5	22	23	20
Average Value per Transaction (\$M)	\$1.1	\$18.9	\$12.0	\$13.7
Average Volume per Day	10	295	1346	1542

THE COMPANY'S AGM  
AND ANNUAL MEETINGS OF  
APCS AND BECS MEMBERS  
WERE HELD IN  
OCTOBER/NOVEMBER.

## ANNUAL MEETINGS

### **Annual General Meeting**

The Company's sixth annual general meeting, chaired by APCA's Chairman, Mr Graeme Thompson (RBA), was held on 30 October 1997. Mr Thompson provided a report to members on the affairs of the Company. No amendments to the company's Articles were proposed at this year's meeting.

### **Annual Meeting of the Australian Paper Clearing System**

The fourth annual meeting of Participating Members of the Australian Paper Clearing System (APCS) was held on 5 November 1997. No amendments to the APCS Regulations were proposed at this year's meeting.

The Chairman of the APCS Management Committee, Mr Richard Ham (ANZ), chaired the meeting and provided a report on the operations of the system during 1996/97 and on work in progress.

The most significant development during the year was finalisation of rules to provide for electronic presentment and dishonour of cheques which are to be fully implemented by 30 April 1999.

Other developments included agreement on procedures to improve the processing of special answers by facsimile. New arrangements were also approved to assist in maintaining the quality of MICR printing and the design and printing of cheques.

### **Annual Meeting of the Bulk Electronic Clearing System**

The third annual meeting of Participating Members of the Bulk Electronic Clearing System (BECS) was held on 25 November 1997. A number of amendments to the Regulations

were accepted, including a reduction in the fees payable by participating members seeking to be re-instated to Tier 1 membership where they had previously relinquished that level of membership.

The Chairman of the BECS Management Committee, Mr Brian Mecklem (NAB), chaired the meeting and provided a report on the operations of the system during 1996/97 and on work in progress.

Two significant developments during the year were the implementation of the requirement for direct entry returns to be transmitted electronically rather than manually via paper vouchers, and the commencement of credit unions' participation in the direct debit system.

## YEAR 2000

APCA has established a Year 2000 Project to assist its members to become year 2000 problem free in relation to their interfaces to APCA's clearing streams.

APCA is producing a paper which is intended to be a repository of the payment industry's knowledge and assessment of year 2000 problems related to payments clearing, and any required remedial measures.

A consultative group has been established from APCA's membership to provide input to the paper which will be distributed to all clearing stream participants once it is finalised.

APCA INFORMATION  
ON THE NET.

APCA'S HOME PAGE

APCA's internet home page <http://www.apca.com.au> was launched in March 1997.

The home page contains information on APCA's objectives and charter, the four clearing systems, and the three categories of membership (share, participating and associate). There is an overview of the Australian payments system which includes information on Cheques and Payment Orders, Direct Entry, Financial EDI, Consumer Electronic Systems (EFTPOS, Credit/Debit Cards, Stored Value cards, ATMs), Bank Interchange and Transfer Systems (BITS), Austraclear's FINTRACS System and the Reserve Bank Information and Transfer System (RITS).

All of APCA's share members are listed on the home page, and there are links to members home pages where they are available. More than half of APCA's share members currently have home pages on the internet. The 1997 Annual Report and recent issues of the Payments Monitor are available to download from the home page in Adobe Acrobat format. The Adobe Acrobat Reader is also available to download from the home page, so that these documents can be viewed.

There are links to local and international Payment related sites such as the United Kingdom's Association for Payment Clearing Services (APACS), Commonwealth Treasury of Australia, Bank for International Settlements, SWIFT and the Board of Governors of the United States Federal Reserve System.

APCA's home page on the internet is intended to be a useful resource for APCA's members, researchers, journalists, students and the general public.

BSB BOOK

APCA has revised the content and format of the *BSB Numbers in Australia* book and the related BSB Diskette.

The new book includes extra information: the Branch name and a new payment type field which indicates in which clearing system a particular BSB may be used. Formatting changes in the book have resulted in a reduction in the number of sections to two, these being a numerical listing by BSB only, and an alpha listing by suburb and BSB name. The BSB Diskette is an electronic version of Section One of the publication, and is available in a fixed length text file.

The new look *BSB Numbers in Australia* book allows for more efficient retrieval of information. The first issue was released in December 1997. Four issues of the book are published each year, in March, June, September and December.

Copies of the Book may be purchased from Craftsman Publishing Pty Ltd, whose telephone number is (03) 9926 1246.