

Reducing 'For Value' Exchanges

As reported in *Payments Monitor* (Second Quarter 2001) a significant number of cheques and other paper items are failing the normal proof and capture process and have to be physically exchanged for value instead of electronically. At that time the latest figures available were for May 1999, and showed 4.7% of items were exchanged for value, and that debit items rejected (mainly cheques) contributed largely (4.5%) to this figure.

A survey conducted in April 2001 shows that the problem is continuing, even though at a slightly lower rate. The survey identified that 3.3% of debit items (around 65,000 each day) are being physically exchanged. Apparently, not all of these items genuinely fail the proofing process.

An APCA working group is investigating the issues that are causing the high level of for value exchanges, and has identified a number of ways to reduce the number of for value items being exchanged. These are:

- Establishing an accreditation scheme for cheque printing (see article on page 2). This is a separate project, initiated as part of a fraud prevention strategy. It aims to reduce the number of items that fail the proof and capture process due to poor quality printing and/or MICR encoding;
- Raising awareness of printing standards with financial institutions and printing companies to encourage them to conform to standards while the accreditation scheme is being developed;
- Using electronic exchange for inter-institution vouchers, such as warrants, to remove these from the paper exchange system altogether;
- Removing BSB numbers as exceptions in the APCS procedures, such as the discontinued BSB numbers, which are currently exchanged physically for value; and

- Establishing a central repository of check digit validation rules to ensure all member organisations are provided with the latest updates. This would lead to fewer items being exchanged for value due to failed or out of date validation rules.

The working group is also working towards having all paper exchanges occur electronically. It is also defining requirements to include invalid/incomplete debit items and all credit items for electronic presentment. Currently, only valid debit items are exchanged through electronic presentment. □

ACDES update

APCA's fifth clearing system – the Australian Cash Distribution and Exchange System (ACDES) – is scheduled to commence on 3 December 2001. It is anticipated that initial participating members will include Australia and New Zealand Banking Group (ANZ), Bank of Western Australia Limited, Commonwealth Bank of Australia, National Australia Bank Limited, Suncorp-Metway and Westpac Banking Corporation.

An overview of the new system was published in *Payments Monitor*, Third Quarter 2001.

ACDES will have responsibility for managing the rules governing the exchange of cash held to supply the community's needs. The system will oversee such things as minimum transaction quantities, documentation for transactions, hours of operations, the process and timing of settlement between members, the quality of notes, the packaging of notes and coin, allocating liability for late delivery and cash discrepancies, audit requirements and cash movements. □

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Improving BECS messaging

'The aim is to provide for this extra information without weakening the core strength of BECS... Options being considered will need to work in with the current message format.'

A project is under way in the Bulk Electronic Clearing System (BECS) to improve the way direct entry messages are reconciled and validated. These were two key improvements identified by participants at the BECS Strategic Workshop held in April.

The direct entry message that is used in BECS meets most requirements for debit and credit users. However, many consumers and businesses sending or receiving direct entry payments would like more information to help identify the payment – such as what the payment is for and the period it relates to. This extra information would improve the way direct entry messages can be reconciled with the underlying transactions.

The aim is to provide for this extra information without weakening the core strength of BECS, which is the processing of direct entry payments efficiently, simply and rela-

tively inexpensively. The options being considered will, therefore, need to be able to work in with the current message format.

Another high priority for users of the system is to identify how the data in direct entry messages can best be checked for accuracy. The aim is to facilitate straight through processing, thereby improving the efficiency of the system.

We are examining the feasibility of validating a number of fields and evaluating where in the message chain the data could be validated (for example, at the point of capture, at the sending institution, or at the ledger financial institution). □

Payment System International Conferences (PSIC) disbanded

It has been decided to disband the PSIC Planning Committee in its current form and to hold no further Payment System International Conferences.

This decision was taken by the PSIC Planning Committee at its recent meeting in London in early November. The decision was taken in the light of the increased number of competing international payment conferences and the complexity of organising conferences through separate, geographically spread, organisations.

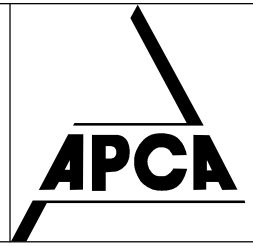
A Payment System International Conference has been held each two years since 1972.

The conferences have been aimed at senior bankers and have concentrated on stra-

tegic payments issues rather than operational issues. They have been organised by a planning committee comprising representatives of European, North American, Japanese, South African and Australian banking or payment associations.

Conferences have been held in a number of European cities, in the United States, Canada, Japan and South Africa. The 1994 conference was held in Sydney. The last conference was held in Bruges, Belgium, in May 2000.

Planning Committee representatives will meet again next year to decide what future role they could play as an international payments committee. □



Improving APCS and BECS contingency / fallback procedures

APCA has been working with its members to improve Contingency/Fallback Procedures for the Australian Paper Clearing System (APCS) and Bulk Electronic Clearing System (BECS). These procedures are used where a direct clearer (a financial institution that directly exchanges electronic payment files) experiences a 'disabling event'.

A disabling event is any processing failure or other event that affects the ability of direct clearers to exchange data files in a clearing system, thereby delaying the exchange and/or processing of payments.

All APCS and BECS direct clearers will use the Contingency/Fallback Procedures being developed. Direct clearers will also be required periodically to test the procedures.

Amended procedures for the APCS and BECS will clearly outline the roles, responsibilities and communication processes to be followed by APCA and its members for contingency/fallback when a disabling event occurs. The APCS and BECS Management Committees are expected to ap-

prove these amendments by the end of the year.

CECS contingency plans

The Management Committee for the Consumer Electronic Clearing System (CECS) has established a new working group to develop contingency plans to address potential risks and exposure to the system.

The working group comprises member representatives with expertise in business applications for ATM/EFTPOS and managing 'fraud risk', members of APCA's Fraud Committee and merchant representatives of the CECS Advisory Council. The working group had its first meeting in October to consider the project's scope.

The aim of the contingency plans is to clearly outline disabling events and risk scenarios, and the best methods of correcting or responding to them.

The plans will set out ways of managing risk with minimal inconvenience to customers, merchants and members, and minimal exposure to potential financial loss. □

'Amended procedures for the APCS and BECS will clearly outline the roles, responsibilities and communication processes to be followed by APCA and its members...'

Cheque printer accreditation scheme

APCA, through its Australian Paper Clearing System (APCS), is considering a project to establish an accreditation scheme for cheque printers as part of its strategy to combat cheque fraud. The project would seek to develop and implement minimum standards for cheque printing, with only those printing companies complying with the standards being accredited.

The proposed accreditation scheme would, among other things, set minimum standards for the security of cheque printing premises, work practices and printing processes, and the use of specified security measures in manufacturing cheques. Accrediting those printing companies that comply with these

standards would make cheque fraud easier to detect.

By improving controls over cheque printing, it is expected that the proposed scheme would also decrease the number of cheques that are currently failing the capture and proofing process, and are therefore having to be physically exchanged for value. A survey conducted in April 2001 found that 42% of for value clearings were due to poor quality paper and/or substandard MICR encoding.

APCA expects that scope of the proposed scheme would be limited to companies engaged in printing cheque forms, encoding the cheque MICR line and printing MICR on pre-printed forms. □

Numbers of ATM and EFTPOS terminals grow

'Australia has a higher number of EFTPOS terminals per head than any G10 nation...'

The number of ATM and EFTPOS terminals in Australia continues to grow.

At the end of June 2001 there were 11,915 ATM terminals, an increase of 10.1 per cent over the 2000/2001 financial year. The number of EFTPOS terminals grew by 13.3 per cent over the same period to reach 362,848.

International comparison

Based on 1999 figures compiled by the Bank for International Settlements, Australia has a higher number of EFTPOS terminals per head of population than any Group of Ten (G10) nation. This is shown in the tables below.

Comparable figures are also provided for 1995 to show how strongly electronic banking is growing both in Australia and elsewhere. This growth in electronic banking is also evidenced in ATM statistics, as shown in the table. In this case the number of ATMs per head of population in Australia is about average compared with G10 countries, but again this is against a backdrop of fairly strong growth. □

	EFTPOS terminals	ATM terminals ¹
1999	265,391	9,387
2000	320,372	10,818
2001	362,848	11,915

EFTPOS terminals per million inhabitants			Cash dispensers and ATM terminals per million inhabitants		
	1995	1999		1995	1999
Australia²	4684	13998	Australia	372	532
G10 nations³			G10 nations		
Belgium	7174	9767	Belgium	360	608
Canada	6448	13278	Canada	600	874
France	9394	13529	France	395	549
Germany	856	3658	Germany	436	562
Italy	2683	7542	Italy	378	523
Japan	200	na	Japan	1013	1143
Netherlands	4736	9186	Netherlands	378	423
Sweden	6160	9155	Sweden	267	291
Switzerland	3499	8602	Switzerland	532	655
UK	8647	11765	UK	358	476
US	2010	8604	US	466	831

Notes

1. APCA quarterly ATM/EFTPOS terminals statistics collection, June 2001.

2. *Payment Systems in Australia*, June 1999, Bank for International Settlements.

3. *Statistics on Payments in the Group of Ten Nations*, 1999, Bank for International Settlements.



