

APCA celebrates its first decade

On 18 February 2002 APCA celebrated its 10th anniversary. Here is a summary of the decade's highlights.

1992

- APCA is incorporated as an unlisted public company.
- Four Special Purpose Committees are established to finalise regulations for the implementation of the respective clearing systems, and to provide a formal structure to manage industry-wide payments related responsibilities.

1993

- BSB institutional identifier numbering system extended to building societies and credit unions.
- The Australian Paper Clearing System (APCS) is established, providing for the first time a framework whereby all providers of payment services (be they banks, building societies or credit unions) can participate in paper clearings on an equal footing.

1994

- Banks', building societies', and credit unions' (credits only) direct entry systems integrated under APCA's administration.
- Associate Members invited to join APCA.
- APCA hosts the 13th Payment Systems International Conference in Sydney.
- The Bulk Electronic Clearing System (BECS) is established.

1995

- Design standards and specifications for the printing of cheques and deposit forms revised to facilitate image capture processing of paper items.
- Electronic links implemented in BECS providing for the exchange of direct entry items electronically (rather than by magnetic tape) between Tier 1 members.

1996

- Following the automation of the transfer and settlement of ASX transactions and negotiations by APCA on behalf of financial institutions, the settlement of securities transactions under CHESS is implemented.
- Tier 1B membership introduced in the APCS to allow such members to settle directly to the system, and to appoint a Tier 1A member to exchange and process items on their behalf.
- Electronic Returns implemented in BECS to allow items unable to be applied to customers' accounts to be returned electronically.

1997

- Credit Unions commence participation in direct debits in BECS.
- Establishment of the High Value Clearing System to deliver payments for settlement in real time.

1998

- New accreditation arrangements introduced for MICR printing.
- Establishment of Y2K Inter Organisation Testing Program, under APCA's management, for Y2K readiness of payment clearing systems.
- The HVCS becomes operational.
- Completion of the CECS Manual covering a number of standards for the operation of the national ATM and EFTPOS networks.

1999

- Electronic presentment and dishonour of cheques implemented.
- Advisory Councils for APCS, CECS, and BECS established.

2000

- Completed the Y2K project, with trouble-free transition to the Year 2000.
- Implemented new direct debit arrangements to increase system efficiency.
- Implemented the Consumer Electronic Clearing System (CECS), completing the establishment of APCA's four clearing systems as originally planned.
- Membership extended to retailers that capture and switch EFTPOS transactions, with retailer Coles Myer joining CECS.

2001

- Released Standard Inter-Organisation Compensation Rules and incorporated these into clearing system Regulations and Procedures.
- Amended BECS rules to facilitate all BECS members competing for government agency direct entry business.
- Amended HVCS rules to allow CLS Bank to become a member and to facilitate straight through processing.
- Increased transparency by putting clearing system rules on APCA's website.
- Established ACDES, the Australian Cash Distribution and Exchange System, as APCA's fifth clearing system. □

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Company restructure under way

Directors have endorsed a new corporate structure for APCA and agreed to recommend the new structure and the necessary consequential changes to the company's constitution to members for approval. The recommended corporate structure is the result of extensive deliberations by directors throughout last year. Its recent endorsement is therefore a significant milestone.

If members approve the board's restructure recommendations, APCA will reduce its share capital by cancelling all shares and change from being a public company limited by shares and guarantee to one limited by guarantee only. This new structure would then be reflected in a revised constitution. The existing shareholding structure involving ordinary shares and four classes of redeemable shares would be replaced with a single category of 'owner member'.

The new structure would mean that all participating members of APCA clearing systems would be entitled to membership of the company. At present, for various his-

torical reasons, not all existing and prospective participating members can be members of the company.

APCA has already had discussions with the Australian Competition & Consumer Commission to keep the Commission apprised of the restructuring proposal.

At this stage, it is envisaged that the proposed new structure will be put to members for approval during this year, with a target of having the restructure completed before the end of the year.

If the members approve the restructure, the regulations for each clearing system, other than the recently formed Australian Cash Distribution and Exchange System, will need to be changed to ensure conformity with the new constitution. APCA has already started planning for such changes that will, as for all changes to APCA regulations, require management committee, participating member and board approval. □

'The new structure will ensure that existing and any new participating members of APCA clearing systems will be entitled to membership of the company.'

Cheque Printer Accreditation

As reported in *Payments Monitor* (Fourth Quarter 2001), APCA has started a project to establish an accreditation scheme for cheque printers as part of its strategy to combat cheque fraud. Such a scheme would also help to improve paper and printing quality and so reduce the number of cheques failing the capture and proofing process.

The project's immediate objective is to build business requirements and assess the feasibility of implementing the scheme. If implemented, the scheme would set minimum standards for cheque printing, with only those printing companies complying with the standards being accredited.

A similar scheme was introduced in the UK by the Association for Payment Clearing Services (APACS) in 1995.

APCA has established a working group to consider the business requirements of the scheme, including minimum standards for security of cheque printing, work practices and printing processes, equipment and materials.

The working group includes representatives from APCA's Australian Paper Clearing System (APCS) membership and printing industry participants. The involvement of the printing industry will help APCA in applying appropriate technical expertise and knowledge. □

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The Document Printing Standards Sub-Committee (DPSSC) has been a valuable forum for APCA since its inception more than a decade ago. The sub-committee consists of APCA members (financial institution representatives) together with representatives from the printing industry who are involved in the production of cheques.

The sub-committee provides an ideal opportunity for cross-fertilisation of ideas between financial institutions and the printing industry in such areas as the combating of fraud through the addition of security features on cheques and the quality of base paper stock for cheque printing. Other work has centred on the permanence of ink on cheques (again an anti-fraud initiative) and the placement of 'crossings' and MICR lines on cheque documents.

The DPSSC was in existence prior to the establishment of APCA and therefore was not covered by an APCA terms of reference.

Late last year it was decided that the structure of the DPSSC should be formalised and made consistent with other committees that assist APCA with advice on an ongoing basis. A precedent existed in the form of the advisory councils that APCA established in 1999 to provide input and advice to the Management Committees of Clearing Systems 1 (paper), 2 (bulk electronic) and 3 (consumer electronic).

Accordingly, in December 2001 a new terms of reference was established for the DPSSC.

The terms of reference sets out the printing industry role on the DPSSC, which is to provide an industry wide perspective on security printing, disseminate information to the security printing industry (under the direction of APCA) and provide technical advice in relation to cheque printing.

In the same vein that APCA invites nominations from interested parties for annual participation in advisory councils, APCA management provided a list of potentially interested parties to Management Committee 1 (MC1), seeking advice as to whether any further companies should be incorporated into a final list before expressions of interest were sought.

After agreement from MC1, APCA man-

agement wrote to the final list of companies on 17 January 2002 seeking expressions of interest for nominations of printing industry participants for the DPSSC.

There was a high level of interest from the printing industry and the representatives nominated had a wide breadth of experience. From feedback received during the nomination process, APCA came to the view that to gain an objective, broad-based, inclusive representation, it would be appropriate to create a number of categories from which to draw nominations for future appointments.

For the 2002/2003 term, the categories cover 'associations of printers', a 'large cheque printer', a 'medium/small cheque printer' and a 'cheque printing equipment supplier'. In future the categories may be expanded to cover such areas as 'paper manufacturer', 'ink manufacturer', 'base stock cheque printer' and 'cheque personalisation'.

MC1 approved the appointment of the following nominees as the printing industry participants on the DPSSC for the 12 months period ending 20 March 2003:

Marlene Mills, Security Printers' Association (association), Nigel Taylor, Security Printers' Association (association), Russell Thurlow, Xplor Asia/Pacific Association (association), Roger Morgan, Fuji Xerox Australia Pty Ltd (equipment supplier), Paul Field, Bankprint Australia Pty Ltd (large printer), Paul Fox, Precision Business Forms Pty Ltd (medium/small printer).

APCA acknowledges the excellent and valuable input received over many years by previous representatives and it is pleasing to note that many of these are included as representatives for the new term.

A degree of continuity of representation is important to preserve knowledge and experience however, at the same time, there is a need to introduce fresh perspectives on a regular basis.

APCA also needs to ensure that the appointment of printer representatives on the DPSSC is equitable and inclusive, and that the process is transparent. The aim is to bring to bear a wide cross-section of views by providing the opportunity to participate to a wide range of printing representatives.

Clearing systems to be benchmarked

APCA is undertaking a project to benchmark its five clearing systems. The project was initiated so that APCA and the industry might understand more clearly how efficiently the payments clearing system in Australia is operating by measuring the performance of APCA's clearing systems over time and against international benchmarks.

Another impetus for this project was the Financial Sector Advisory Council (FSAC) announcement that it would be conducting a detailed evaluation of the financial sector reforms by 2003. The FSAC is a non-statutory body established in 1998 to provide advice to the Federal Government on policies to facilitate the growth of a strong and competitive financial system. As part of its evaluation, FSAC will be developing a set of indicators to benchmark the financial sector, including the payments sector. APCA's benchmarking project will allow us to contribute to this evaluation.

The data for the benchmarks will be collected as part of the annual 'Payments Activity Survey' currently undertaken by APCA for the month of May. Most of the data requirements for the benchmarks are covered in the current survey or can be extracted by APCA from its existing data. However, APCA's members have agreed to provide extra data where the relevant APCA management committees believe that additional information would be helpful to the benchmark project.

APCA will also use the extra data to gauge the success of its projects from time to time. One example of this is the current 'For-Value' Exchanges Improvements Project in the paper clearing system, being managed under the direction of the APCS Management Committee. There are currently high levels of credit and debit paper items being exchanged manually (for-value). This is an inefficient way to exchange items when the technology is in place for electronic exchanges. The objective of the project is to reduce progressive-

ly the number of these for-value items exchanged by 90%. Some of the proposed benchmarks will enable us to measure the success of each initiative as it is implemented as well as the overall success of this project.

Some benchmark data will provide valuable information immediately, and this will particularly be the case where APCA has collected similar data in previous years or where it has access to comparable international data. Other data to be gathered through the project will prove beneficial in future years once a comparable set of data has been collected.□

Strategy role reviewed

APCA has recently reviewed and refined its role in payments strategy.

Relatively speaking, strategy in the Australian payments industry is driven more by competitive than by cooperative forces. What this means is that strategic initiatives, particularly those resulting in new products and services, generally take place at an individual institution level or through joint ventures between small groupings of institutions. They seldom occur at an industry-wide level, where APCA operates. For APCA, this means having a role in strategy that is tailored rather than free ranging.

APCA will respond to its members' requests to investigate particular strategic initiatives and will, as appropriate, workshop potential strategies as it has in recent years in respect of direct entry payments and cheque clearing. In addition, APCA will continue to play a proactive role in process improvement largely through its project management and operations activities.□

'The project will measure the performance of APCA's clearing systems over time and against international benchmarks...'