



A New Constitution

APCA will have a new Constitution in place this year; probably by around mid-August, depending on the length of time of some statutory formalities.

The principal changes between the existing Memorandum & Articles of Association (M&A) and the new Constitution are the conversion of APCA from a company limited by shares and guarantee to one limited only by guarantee and the replacement of the current institutional basis for membership with a functional criteria.

The main purpose of the changes is to ensure that APCA's membership is inclusive and responsive to the developing payments environment.

The existing M&A was structured in the light of circumstances prevailing during the late 1980's and the early 1990's. The imperative at the time was to ensure a level payments playing field for large and small banks, building societies and credit unions. Provision was made for individual ordinary shareholders – the four largest banks and the Reserve Bank – and for different classes of redeemable preference shareholders – the state and regional banks, other banks, building societies, and credit unions. Each ordinary shareholder has one vote at general meetings and at the board. Each class of preference shareholders also has one vote each. In this way, the M&A gives all of the relevant organisations representation, and a voting weight which ensures checks and balances between the large and small players.

Times have moved on. There are no longer state banks. Numbers of institutions have merged and/or changed their status. More changes of this kind are possible. "Non-traditional" players have moved into the payments business. Coles Myer and Cashcard are now members of one of APCA's clearing systems. Other organisations – Australia Post, American Express, for example – may well become eligible for clearing system membership in the future. Currently APCA's M&A does not provide for company membership to these non-traditional players.

The new Constitution does.

Under the new Constitution, the substantive criteria for owner membership of the company is that an organisation is eligible for membership of one or other of APCA's clearing systems. Essentially this comes down to an organisation being a payments clearer, ie, an issuer or acquirer within an open payments system.

Amendments are also being made this year to each of APCA's clearing system regulations to bring them into sync with the new Constitution. □

New Member Joins CECS

In March 2002, the Management Committee for the Consumer Electronic Clearing System (CECS), the system governing ATM & EFTPOS interchanges, approved the membership application of Cashcard Australia Limited.

In keeping with the developing payments system environment, the CECS membership rules reflect APCA's objective to be inclusive of all payments clearing organisations. The CECS rules also admit to membership any retailer that captures EFTPOS transactions and switches them directly to issuers. This "merchant principal" category of member enabled Coles Myer to become one of the system's 15 initial members.

Cashcard will be the first new member to join CECS since the system was established in December 2000. New members need to comply with the minimum technical and operational standards and requirements detailed in the CECS Manual as they apply to the scope of operations of the new member.

Cashcard's CECS membership followed closely its successful application to the Payments Systems Board to operate an Exchange Settlement Account at the Reserve Bank of Australia. When this Account becomes operational, Cashcard's membership in CECS will formally commence.

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Australian Payments Clearing Association Ltd
ABN 12 055 136 519
Level 24
25 Bligh St Sydney
NSW 2000
Phone 02 9221 8944
Fax 02 9221 8057

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HVCS Prepares for CLS

'The final stage in the development of the CLS system involves the current trials occurring "live" in the RTGS environment'...

Continuous Linked Settlement (CLS) Bank commenced trials in the Real Time Gross Settlement (RTGS) environment on 24 May 2002. This is a major step towards CLS Bank becoming fully operational as a settlement intermediary for foreign exchange trades and a participating member of the High Value Clearing System (HVCS).

CLS was established in 1997, by the world's major banks, to provide settlement services for foreign exchange transactions. Once CLS is operational, each settlement member will maintain a multi-currency account with CLS Bank. The operations of CLS Bank are expected to significantly reduce foreign exchange settlement risk.

APCA has been working with its member institutions to facilitate CLS's entry into the HVCS. As the timeframes for pro-

cessing with CLS are based on Central European time, amendments have been required to the HVCS Procedures to extend the processing times in Australia. The final stage in the development of the CLS system involves the current trials occurring "live" in the RTGS environment, which will continue through to September 2002.

During these trials, selected HVCS members will be required to prove their connectivity to CLS and to provide evidence that they can process transactions and pay in funds according to the pay-in schedules generated by CLS. When this phase is successfully completed, CLS Bank will become a participating member of HVCS. APCA members' participation in the extended CLS time period is optional and will be by individual arrangement with the Reserve Bank. □

Cash Pool Management Project

Following the Reserve Bank's decision in mid 2001 to transfer its ownership of uncirculated cash to certain banks, APCA established a fifth clearing system to provide a safe and efficient set of rules and procedures for the exchange and distribution of this cash. The Australian Cash Distribution and Exchange System (ACDES) regulations and procedures, operating under the usual APCA clearing system management arrangements, were formally implemented in December 2001.

A key ACDES objective is to minimise the overall quantity of uncirculated cash – due to its high carry cost – while at the same time ensuring that the right amounts and denominations of cash are available when, and where required. The current arrangements, which involve ACDES

members buying and selling cash between each other, are not meeting this objective as well as expected and therefore a project is under way to improve the way things are done.

The project involves developing a framework to manage the cash owned by all ACDES members as one, logical pool of cash. This treatment of cash will eliminate the need for ACDES members to hold individual cash buffers and will, at the same time, reduce the potential of cash shortages. Work to define the detailed requirements of the new arrangements is nearing completion. □



Operation Risk Measures Determined

Using the framework it developed to successfully coordinate industry contingency planning for the Year 2000 issue, APCA has developed enhanced contingency procedures to address identified operational risks for three of its clearing systems: APCS, BECS and CECS.

In reviewing the APCS (Australian Paper Clearing System) and BECS (Bulk Electronic Clearing System) Contingency Procedures, APCA and Member working groups re-considered the relevance and effectiveness of existing procedures. This process included reassessing the methods used to deal with contingencies and the roles and responsibilities of participating members and APCA management. The APCS and BECS Management Committees recently approved the working group's proposal for revised contingency procedures. APCA is now working with its participating members to implement these new contingency procedures. The implementation phase commenced on 1 May 2002 and is scheduled to continue through to 31 October 2003.

During the implementation phase, participating members will upgrade all contingency arrangements from the current use of physical medium (eg, magnetic tape) to

an electronic communications method (eg, leased line). Although each participating member is already using electronic communications for daily exchanges, the new contingency procedures require that arrangements for alternative electronic communications from an independent source or service provider, are in place. Participating members will also conduct bilateral testing, and sign a certificate of compliance to confirm successful ongoing testing of the new contingency procedures, on an annual basis.

To address operational risks within the ATM and EFTPOS networks, APCA, in conjunction with CECS members, has completed a Crisis Management Action Plan. This Plan is a guide document, outlining operational risks, and preventative and corrective action, to minimise the impact and financial loss. Each potential disabling or fraudulent event is briefly described, and its likelihood, consequence and the overall operational risk, assessed. Each event then lists preventative, and crisis management action for Acquirers, Issuers and Merchants to implement, should the risk occur. The CECS Management Committee has endorsed the Crisis Management Plan for inclusion in the CECS Manual.

'APCA is now working with its participating members to implement these new contingency procedures...'

For the Record

ATM Direct Charge

APCA has provided for new message formats to enable CECS members to support an ATM direct charge or convenience fee, if it were introduced.

The Reserve Bank and a number of financial institutions have been looking at potential options for direct charging and, in part, this provided an impetus for APCA's work.

Implementation of the new message formats will be at each member's discretion. APCA's role of managing and setting regulations and procedures for message interchange does not extend to include pricing. In providing the new formats, APCA does not indicate its support, or otherwise, for the introduction of direct charging.

Specially Printed Cheques & Deposit Forms Workshops

'APCA is conducting these workshops in response to industry demand'

APCA is conducting an educational program covering the printing standards in APCA publications, and the processes for approval of specially printed cheques and deposit forms. The program is intended for both financial institution and security printer employees and will be presented in workshop seminars.

The program will focus on information contained in:

- APCA Publication 11.5
- APCA Publication 3.3

The latest versions of these publications draw out the following:

- ★ Colour of foreground printing ★ Colour of background printing
- ★ CAR (Convenience Amount Recognition) / ICR (Intelligent Character Recognition)
- ★ Security against alteration ★ Security against counterfeiting
- ★ DANs (Design Approval Numbers) ★ PANs (Printing Approval Numbers)

APCA is conducting these workshops in response to industry demand. For some time, printers have been proposing the need for workshops to set out a standard path to follow. Financial institutions also recognise the need for the ongoing education of their employees in specialist roles.

In the early 90's, cheque printing approvals were performed at the financial institution branch or state level. Now, with the centralisation of financial institution processes, specialised staff are employed to perform what have become very technical tasks. These employees also require knowledge of the various printing methods, including MICR printing.

Workshops will be conducted in Melbourne, Sydney, Brisbane and Perth for financial institution staff employed in the following areas:

- ◆ Issuing authorisation of approval to print ◆ Evaluation of MICR printed documents
- ◆ Cheque fraud ◆ Risk management ◆ Voucher Processing ◆ Voucher Management

As there is no workshop scheduled for Adelaide at this time, financial institution employees based in South Australia are encouraged to attend the workshops held in Melbourne.

Separate to these workshops for financial institution employees, workshops will also be held in Brisbane and Perth for security printers. APCA has previously participated in conferences held by the Security Printers' Association (SPA) and Xplor in both Melbourne and Sydney, and has launched many of its new requirements for cheque printing at these forums. As printers in Brisbane and Perth may not have been able to attend, and as they have expressed a desire for more information and education, printer workshops will now also be held in these cities for the first time.

The workshops will be held on the following dates:

Sydney	Tuesday, July 16, 2002	◆ 9.00am-12.00pm	◆ 1.30pm-4.30pm
Melbourne	Wednesday, July 17, 2002	◆ 9.00am-12.00pm	◆ 1.30pm-4.30pm
Brisbane	Tuesday, July 23, 2002	◆ 9.00am-12.00pm	■ 1.30pm-4.30pm
Perth	Wednesday, July 24, 2002		■ 1.30pm-4.30pm
	Thursday, July 25, 2002	◆ 9.00am-12.00pm	

- ◆ Workshops for employees of financial institutions
- Workshops for security printers