



APCS Regulations Review

APCA is currently conducting a review of the APCS Regulations. A small working group has been established for this purpose and is tasked with reporting recommendations for any necessary or desirable regulations changes to the APCS Management Committee.

The principal objective of the review is to ensure that the APCS Regulations remain appropriate given the evolution of APCA since the establishment of the APCS in 1993. APCA is now a more inclusive organisation – more inclusive in that it offers owner membership and with respect to the more recently established clearing systems, CECS and ACDES, participating membership to a wider range of organisations than has traditionally been the case. Most recently, Cashcard Australia was admitted to CECS membership and as the payments clearing environment continues to change it is likely more organisations outside the traditional group will follow.

APCA's recently revised constitution now permits any organisation, which participates in an APCA clearing system to become an owner member of APCA. The institutional basis for company membership has been removed.

Accordingly, the primary focus of the current review of the APCS Regulations is to examine the qualifications for membership of the APCS. Its aim is to ensure membership of the system is open not just to authorised deposit-taking institutions, as is effectively the case under the existing rules, but to all organisations that issue or collect cheques, travellers cheques, money orders and other paper-based payment instructions.

The review is also covering, among other matters, management committee representation, the structure of existing representation arrangements, fees, qualifications for the different tiers of participating membership and voting arrangements.

Its aim is to ensure membership of the system is open to all organisations that engage in clearing activities of the type currently undertaken in the APCS.

EFTPOS Access

In February, a number of organisations submitted an application to the Australian Competition & Consumer Commission (ACCC) seeking authorisation of an EFTPOS interchange pricing arrangement.

In the submission supporting the application, reference was made to the possibility of APCA addressing access conditions governing entry to the EFTPOS network.

In response, the CECS Management Committee has appointed a working group to explore the potential for implementing enhanced rules to facilitate direct access to the EFTPOS network by potential new entrants.

A number of difficult issues would need to be resolved if APCA were to establish access conditions within the CECS rules. At this stage the process is very much exploratory in nature.

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Some Crediting at EFTPOS Terminals

“.. only transactions falling within fairly narrow specific parameters will be considered.”

APCA is considering the implications of expanding the EFTPOS network's utility to facilitate certain categories of credits to debit card accounts at terminals.

This initiative in part follows a proposal from Centrelink to use EFTPOS terminals to make emergency government payments directly into beneficiaries' debit card accounts. The benefit of using the EFTPOS network to make these payments is that funds might potentially be made *immediately* available to the beneficiary, in contrast to issuing a cheque, or using the direct entry system whereby funds are credited overnight.

Australia's EFTPOS network comprises more than 441,000 terminals. The exchange of EFTPOS transactions from debit card accounts is governed by the Consumer Electronic Clearing System (CECS). At present, the only type of EFTPOS credit transaction covered by the CECS regulations, is the refund of monies to a consumer's debit card

account for goods or services previously paid for from that same account. However, at a recent workshop specifically held to consider this issue, the CECS management committee noted that the EFTPOS network is being used by some merchants, for example some health funds and gaming establishments, to make one-off payments to their clients' accounts.

APCA is preparing a scoping paper setting out options for the development of CECS standards including message formats and transaction codes to cover specified types of credit payments at EFTPOS terminals. Only transactions where both the debit card and PIN are present, and only transactions falling within fairly narrow specific parameters, will be considered. The EFTPOS network is not structured or designed to handle a wide range of credit transactions.

EMV on the Cards

In most countries, migration from current magnetic stripe cards to EMV cards is already underway. Specifically in the Asia-Pacific region, Japan, South Korea, Taiwan and Malaysia are actively moving to EMV based chip cards.

At the same time, the issuance of EMV in Australia is gaining impetus. Having taken EMV off the table a year or so ago, APCA is now considering the utility of developing inter-operable exchange standards.

EMV, a consortium of Europay, MasterCard and Visa, is a specification for interaction between chip cards and the terminals that accept cards for payment transactions.

A small working group has been established to examine the potential impact of introducing EMV chip based debit cards in the current ATM/EFTPOS environment. All parties involved in the transaction - issuers, acquirers and merchants - would need to make changes to enable the exchange of chip card information.

While the industry's prime driver for conversion to chip cards is fraud prevention, the use of chip cards would open up opportunities for the addition of other applications, such as loyalty and e-purse schemes.

Advisory Council Assessment

APCA conducts an annual formal assessment process to evaluate the performance and effectiveness of the advisory councils and their interaction with the management committees. Since the councils' formation, various initiatives have been put in place to ensure that the advisory councils have progressively operated in a more integrated fashion with management committees. This was seen as key to the councils' performance and effectiveness.

For example, following the 2001 assessment, a number of initiatives were introduced over the last year to enhance communication between advisory councils and management committees. Where possible, each meeting of the advisory council has a management committee representative present and a council member and the chairman attend each management committee meeting. Alternatives to formal meeting processes, such as working sessions, have also been adopted by councils.

As a result, the 2002 advisory council assessment process found that across the three clearing systems (in which advisory councils had been established – APCS, BECS & CECS) both the advisory councils' and management committees' satisfaction with the councils' overall performance had significantly increased compared with the year before. It was noted that the above initiatives played an important part in this.

In that assessment, advisory councils also expressed their view of an apparent lack of opportunities to provide "real" strategic input and to quantify their performance by specific achievements.

As the way advisory councils are structured within APCA and the type of member representation, have an important bearing on their potential contribution to APCA, APCA recently conducted a review to ascertain whether the current structure and membership of councils is the best model.

The principle role of management committees for each clearing system is to maintain / improve the efficiency and integrity of clearing processes. In keeping with this, advisory councils are currently structured on a clearing system-by-clearing system basis, with members who can offer advice at an operational level.

Within the boundaries of APCA's role, a number of alternative models were considered. For example, having a single council across the three clearing systems; having smaller councils with members attending all management committee meetings for that particular clearing system; or replacing councils with regular, more open forums, such as strategic workshops. However, none stood up to much scrutiny.

It is likely that APCA's current model is at least approaching the best that can be devised in the light of APCA's role, although some refinements may be helpful. These include improving processes to allow for greater inclusion of all stakeholders while at the same time ensuring stakeholders can actively contribute to achieving the clearing systems' goals and objectives. A number of initiatives are currently being considered for implementation during this year.

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Number of ATM/EFTPOS Terminals

Figures collected by APCA showing the number of ATM and EFTPOS terminals now include all types of terminals which accept debit cards and accompanying PINs.

For the December 2002 quarter and onwards, all members were asked to report the number of terminals they own, and the number of *white label* terminals, those owned by third parties (eg retailers) but for whom the financial institution acts as "acquirer". The intention was always to capture third party terminals but it became clear that not all of APCA's members were reporting their figures on that basis.

At the same time, the categories for data collection were further clarified to ensure the inclusion of limited service terminals. "ATM" has been redefined to make sure that cash dispensers are counted in this category, and "EFTPOS"

expanded to include CAT (credit authorisation terminals) and CAT/CAP (credit authorisation terminals with capture facilities). These changes should give a better overall picture of the number of ATM and EFTPOS terminals.

The ATM and EFTPOS figures in the tables below have been back-adjusted to include limited service terminals. However, it was not possible to make the same adjustment for the ATM figures in respect of *white label* terminals. As a result, the total number of ATM terminals reported for December 2002 increased significantly. This represents a break in the series.

APCA has been collecting quarterly data on the number of ATM and EFTPOS terminals since June 1994. The full range of figures is available at www.apca.com.au.

Number of ATM terminals in Australia 1998-2002

ATM terminals	March	June	September	December
1998	9,253	9,472	9,549	9,750
1999	10,084	10,089	10,748	10,882
2000	11,638	11,819	12,458	13,193
2001	13,240	13,289	13,139	14,027
2002	15,346	16,398	17,146	19,597

Number of EFTPOS terminals in Australia 1998-2002

EFTPOS terminals	March	June	September	December
1998	217,272	230,573	242,124	255,085
1999	270,445	278,238	294,551	307,099
2000	322,938	333,739	352,334	361,470
2001	363,486	375,883	391,261	404,560
2002	407,640	415,167	422,019	441,041