

**Procedures for liaison between
Reserve Bank of Australia
And
Australian Payments Clearing Association**

Objective

1. The Reserve Bank of Australia (RBA) and the Australian Payments Clearing Association (APCA) both have an interest in the health and development of the Australian payments system. They have agreed to the procedures set out in this document to facilitate an effective working relationship and thereby promote an efficient, stable and competitive payments system in Australia.

Responsibilities

2. Under the *Reserve Bank Act 1959*, the RBA has responsibility for promoting the efficiency, stability and competitiveness of the Australian payments system. Its powers to achieve this mandate are contained in the *Payment Systems (Regulation) Act 1998*, the *Cheques Act 1986* and the *Payment Systems and Netting Act 1998*. The RBA also operates the real-time gross settlement system, has a role in supplying cash to Australian banks, and provides banking services to the Australian Government and its agencies.
3. APCA is the industry body which promotes the safety, reliability, equity, convenience and efficiency of the Australian payments system. It does this through industry policy development and advocacy; industry self-regulation and standards; and industry change management. Its members include banks, building societies, credit unions and other payment institutions.

Liaison

4. After each APCA Board meeting the CEO of APCA will discuss with the Head of Payments Policy Department at the RBA:
 - (a) any matters addressed at the APCA Board that could have implications for the RBA's legislative or operational responsibilities for the Australian payments system; and
 - (b) any matters of current interest to the RBA that could have implications for APCA's role in seeking to improve the Australian payments system.

An agenda will be prepared in draft by APCA and agreed with the RBA prior to the meeting.

5. At least twice a year, the Head of Payments Policy Department at the RBA will meet with the Board of APCA to exchange information on the activities undertaken by each body related to their responsibilities.
6. The CEO of APCA will inform the Head of Payments Policy Department at the RBA of any issues that might have implications for the RBA's operations or policy as soon as practicable rather than waiting for the next regularly scheduled meeting. The RBA will do likewise for any issues having implications for APCA.


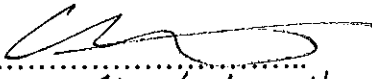
7. The liaison arrangements set out above do not oblige either party to share information, that is:
 - (a) commercially sensitive; or
 - (b) subject to confidentiality obligations.
8. The RBA and APCA agree that all information disclosed through the liaison arrangements set out in this document is confidential to the organisations, unless it is already in the public domain or agreed otherwise. This does not preclude the RBA from fulfilling its information-sharing obligations with other regulators. The RBA and APCA further acknowledge that on occasion, confidential or commercially sensitive information may be disclosed to the RBA for the purposes of effective policy liaison, but on the understanding that it will not be shared with the RBA's Banking Department. Where this is the case, the RBA has "Chinese Wall" arrangements to protect such information.

Participation on APCA Committees

9. The RBA will remain a participating member of any APCA system for which it qualifies for membership (on the same basis as other members) and will have a right to appoint a member to the management committee of a particular clearing system if it meets the criteria for appointment (on the same basis as other members).
10. Where it is a participating member in a clearing system the RBA will be provided with management committee memoranda for that clearing system (on the same basis and to the same extent as other members) even if it is not represented on that management committee in its own right or as a member of an electoral group.
11. Given the RBA's important role in the operation and provision of services to the high-value system, as well as its importance to the cash distribution system, the RBA has an automatic right to appoint a representative to the management committees responsible for the administration of these clearing systems. The voting entitlements of these representatives will be determined on the same basis as other members of the Management Committee.
12. Where the RBA is not represented on a particular management committee, the RBA is available to attend meetings of that management committee, and any of its subcommittees, where the RBA and APCA agree. This includes any subcommittees formed under the APCA Board.
13. Where the RBA is not a participating member of a management committee or clearing system, it will receive a copy of any material that is distributed to the advisory council for that system.
14. The RBA will treat material it receives from APCA committees or subcommittees as confidential under the same terms that apply to APCA members.

Review

15. This document will be reviewed every year by the RBA and APCA to ensure it is meeting its Objective, with any proposed changes to be agreed between the RBA and APCA.

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| <p>For and on behalf of the Reserve Bank of Australia:</p>  Name: PHILIP LOWE Position: Assistant Governor Date: 17 May 2007 | <p>For and on behalf of the Australian Payments Clearing Association Limited</p>  Name: Christopher Hamilton Position: CEO Date: 17 May 2007 |
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