

APCS BECS CECS

stretching
the boundaries

APCS BECS CECS

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Australian Payments Clearing Association

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APCS BECS CECS HVCS ACDES

Annual Report 2002

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Australian Payments Clearing Association

MISSION

APCA's mission is to achieve and maintain international best practice in the operation of the Australian payments clearing system.

OBJECTIVES

APCA's role is to manage and develop the Australian payments clearing system so as to:

- ▲ preserve the integrity of the system;
- ▲ identify and control settlement risk;
- ▲ improve the effectiveness and efficiency of the system;
- ▲ ensure principles of equity and competitive neutrality are applied in determining participation in the system;
- ▲ facilitate coordination of payments clearing arrangements among providers of payment services; and
- ▲ assist the community to understand the system and ensure that public debate is well informed.

GLOSSARY

ACCC The Australian Competition and Consumer Commission.

APCS Australian Paper Clearing System. A system for the clearing and settlement of paper items.

ASIC The Australian Securities and Investments Commission.

BECS Bulk Electronic Clearing System. A system for the clearing and settlement of direct entry transactions.

BIC Bank Identification Code. An alpha numeric code used to identify financial institutions within a SWIFT message.

BSB A number used as a code to identify financial institutions in the clearing and exchange of items.

CECS Consumer Electronic Clearing System. A system for the clearing and settlement of ATM and EFTPOS transactions.

CHESS The Australian Stock Exchange's 'Clearing House Electronic Subregister System.'

CLS Continuous Linked Settlement.

EFTPOS Electronic Funds Transfer at Point of Sale.

HVCS High Value Clearing System. A system for the exchange and settlement of RTGS payments.

MICR Magnetic Ink Character Recognition. The form in which the codeline is produced on cheques and other paper instruments.

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PKI Public Key Infrastructure. A documentary and physical infrastructure for the issuance and revocation of public and private cryptographic keys.

RTGS Real Time Gross Settlement. Settlement arrangements in which each payment transaction is settled individually at the time of the transaction.

STP Straight Through Processing.

SWIFT Society for Worldwide Interbank Financial Telecommunications.

SWIFT/PDS SWIFT Payment Delivery System. The delivery system used to relay payments from one financial institution to another in the HVCS.

Chairman's Report



Robert N Challis
Chairman

APCA became ten years old during the financial year. When APCA was established, in February 1992, two principal objectives lay ahead: to produce a level playing field for large and small banks, for building societies and credit unions and to reduce and contain settlement risk. Within APCA's sphere of influence both objectives have been achieved. Times have moved on, as have APCA's objectives.

The objective of producing a level playing field remains in place but across a wider boundary. The payments landscape has changed and can be expected to go on changing. Institutions outside of the traditional group are now participating in payments clearing. APCA was able to accommodate this in its consumer electronic clearing system by admitting Coles Myer to membership and this year also admitted Cashcard Australia. But we needed to do more.

The company's memorandum of articles and association – appropriate as it was – is now too restrictive in its membership boundaries. In response to this, and following a lengthy process of review which I reported on last year, the board and shareholders of APCA adopted a new constitution.

The new constitution will come into effect later in 2002 once ASIC formalities have been completed.

What we have done is to increase APCA's ability to admit new members by changing from a company limited by shareholding and guarantee to a company limited by guarantee alone and by removing the institutional basis for company membership. Effectively, the only substantive requirement for company membership under the new constitution is that an organisation participates as a principal in the activity of payments clearing.

APCA also stretched its boundaries in quite a different way during the year by establishing a fifth clearing system. The Australian Cash Distribution and Exchange System (ACDES) was established in December 2001. Its role is to manage the rules governing the exchange and settlement of "wholesale" cash owned by ACDES members. The establishment of the system followed the decision of the Reserve Bank to transfer the ownership and management responsibility for this cash to a number of banks.

Stretching boundaries and being open and inclusive are part of a total picture. In this respect we regard the participation of advisory councils as vital and integral to APCA's affairs. Their advice and counsel again this year broadened APCA's perspective.

APCA also has associate members, who can be any interested party concerned with APCA's affairs. We instigated a program of twice yearly briefings for associate members and also now provide them with a bulletin of more complete information after each briefing session. During the coming year we intend to improve the layout and content of our web site to improve access generally to information about APCA.

The emphasis of APCA's operations in recent years has been to manage industry-wide projects to improve the efficiency and integrity of payments clearing and to provide standards to underpin payment arrangements. This was also the case this year. APCA developed new card issuer standards, and also message format standards to facilitate direct charging at ATMs. Enhanced contingency procedures were put in place across a number of APCA's systems to reduce operational risk.

I expect the coming year to be just as challenging. A major project is underway to improve the efficiency of cash management under ACDES. Projects are underway to improve the quality of cheques to combat fraud and to reduce the incidence of cheques which fail the proof and capture process. The paper clearing and direct entry regulations in particular will be reviewed, and amended as required to bring them fully into sync with the new constitution, to ensure the constitution is as effective as possible in broadening APCA's membership boundaries.

I would like to thank all the representatives of APCA's members and representatives on advisory councils who contributed their time and expertise to APCA during the year. I would also like to acknowledge the support of all directors who served on the board during the year and the commitment and work of the CEO, Peter Smith, and all APCA staff.

A handwritten signature in dark ink, appearing to read "R Challis". The signature is fluid and cursive, written in a professional style.

Robert N Challis
Chairman



Payments Statistics

	Source	1998	1999	2000	2001	2002
NUMBER OF PAYMENT TRANSACTIONS AND ATM WITHDRAWALS						
Business day average for month of May – millions of items						
Cheques	APCA	3.7	3.2	3.1	2.7	2.5
Direct entry credits	APCA	1.9	2.1	2.3	2.7(b)	2.9
Direct entry debits	APCA	0.6	0.8	0.9	1.1(b)	1.3
Monthly total for May – millions of items						
ATM withdrawals	APCA	42.9	41.9	48.4	64.0	65.4
EFTPOS(a)	RBA	44.5	48.6	52.0	57.5	63.8
Credit cards(a)	RBA	32.8	42.9	57.7	66.4	80.6
VALUE OF PAYMENT TRANSACTIONS AND ATM WITHDRAWALS						
Business day average for month of May – \$ billions						
Cheques	APCA	14.6	12.3	9.7	8.3	7.3
Direct entry credits	APCA	3.6	5.3	7.1	10.2	10.3
Direct entry debits	APCA	2.4	4.0	5.4	7.9(b)	8.9
HVCS transactions(c)	RBA	64.1	65.5(d)	72.6(d)	83.2(d)	80.9(d)
Monthly total for May – \$ billions						
ATM withdrawals	APCA	6.2	6.8	7.3	9.4	11.0
EFTPOS(a)	RBA	2.4	2.8	3.1	3.5	4.0
Credit cards(a)	RBA	3.6	4.3	6.4	7.5	9.0
NUMBER OF ACCOUNTS / CARDS						
Monthly total as at end of May in millions						
Customer payment accounts	APCA	29.7	26.9	27.1	32.7	28.1
Debit cards	APCA	16.4	15.7	17.8	19.4	19.7
Credit & multifunction cards	APCA	10.3	12.1	13.2	15.6	16.7
NUMBER OF ATM AND EFTPOS TERMINALS AS AT END OF JUNE						
ATMs	APCA	8,814	9,387	10,818	11,915	14,714(e)
EFTPOS	APCA	218,330	265,391	320,372	362,848	402,084

NOTES

(a) From Reserve Bank figures showing credit card and EFTPOS transactions acquired from merchants each month (see Table C.3 of the Reserve Bank of Australia Bulletin).

(b) These figures have been revised.

(c) HVCS figures are values exchanged and do not include 'own items' (ie intra-bank items). Note also that a full picture of RTGS transactions would require HVCS transactions to be supplemented by Austraclear and RITS transactions that are not captured in these figures.

(d) From Reserve Bank figures showing Real-time Gross Settlement Statistics each month, (see Table C.4 of the Reserve Bank of Australia Bulletin). APCA HVCS transactions figures are taken from the SWIFT PDS column of Table C.4.

(e) This figure does not include all third party ATMs.

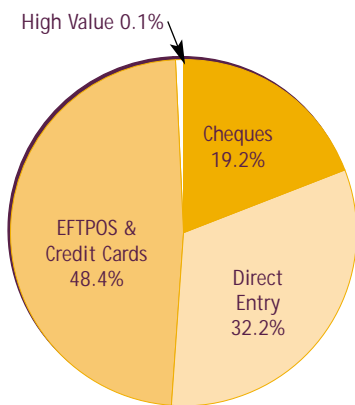
Highlights

*“Stretching boundaries
– new constitution
– new clearing system
– new members”*

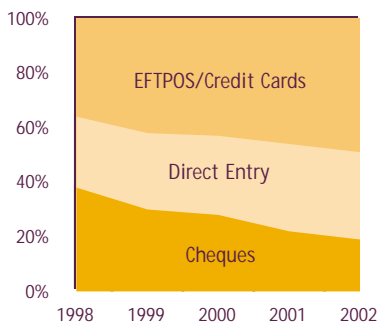


*Peter Smith
Chief Executive Officer*

Peter Smith, CEO.



*Proportion of Payments by Number
(as at May 2002)*



*Trends in Type of Payments by Number
(as at May)*

During the year, APCA:

- ▲ Adopted a new company constitution to keep pace with the changing payments environment.
- ▲ Established ACDES, the Australian Cash Distribution and Exchange System – APCA's fifth clearing system.
- ▲ Extended CECS membership to Cashcard Australia Limited.
- ▲ Put in place changes to direct debit rules to improve consumer safeguards.
- ▲ Developed enhanced contingency procedures across three clearing systems – APCS, BECS & CECS – to reduce operational risk.
- ▲ Developed new card issuer standards for CECS.
- ▲ Developed new message format standards to facilitate direct charging at ATMs.
- ▲ Initiated new publications, briefing sessions and educational forums to keep stakeholders informed.
- ▲ Instigated new projects to improve efficiency and protect the integrity of Australia's payments system, covering:
 - Cheque Printer Accreditation.
 - A revised framework to manage cash owned by ACDES members.
 - Reducing the incidence of cheques failing proof and capture.
- ▲ Made preparations to facilitate the entry of CLS Bank into HVCS.



The Way APCA Works

APCA was established on 18 February 1992. It has specific responsibility for key components of the Australian payments system. The payments system is the infrastructure which carries payments messages and transfers funds from one party's account to another's. It underpins commerce and is at the core of the Australian financial system. The payments system's effective and efficient operation is vital to the functioning of the overall economy.

APCA's charter, as set out in its Constitution, is to co-ordinate, manage and ensure the implementation and operation of effective payments clearing and settlement systems, policies and procedures. APCA does not process payments, nor does it own or manage payments infrastructures. Individual institutions, which participate in a clearing system, are responsible for their own clearing operations and must conduct their activities in accordance with APCA's rules governing the operation of each clearing system. APCA is currently responsible for managing five clearing systems:

- ▲ Australian Paper Clearing System (APCS), covering cheques and other paper items;
- ▲ Bulk Electronic Clearing System (BECS), covering direct entry payments;
- ▲ Consumer Electronic Clearing System (CECS), covering ATM and EFTPOS debit card transactions;
- ▲ High Value Clearing System (HVCS), covering high value payments; and
- ▲ Australian Cash Distribution and Exchange System (ACDES), covering the exchange and settlement of wholesale cash.

APCA's rules do not seek to regulate the provision of payments instruments and associated services. It is in these areas that APCA's members compete with each other. Matters of a competitive nature remain proprietary to member institutions. APCA's rules simply provide a framework for efficient and effective cooperative regulation of payments clearing and settlement – an area in which cooperation by its members is appropriate and which produces efficiencies which can be of benefit to the wider community.

COMPANY AND CLEARING SYSTEM MANAGEMENT

Ultimate responsibility for the governance of APCA and oversight of its activities rests with the board of directors. However, the board is also required to establish a management committee for each clearing system. Management committees, acting under delegated authority from the board, are responsible for the efficient day to day operation and management of each clearing system and the development, implementation and oversight of governance and procedural rules. Members of a management committee are appointed by participating members of the clearing system that a management committee oversees.

Management committees also draw on assistance from APCA management, clearing system or project specific working groups and sub-committees, and in the case of APCS, BECS and CECS, from advisory councils.

MEMBERSHIP

APCA has four categories of membership.

Share Membership

Share membership is divided into five classes. Share members (either individually or in groups according to their share member class) appoint the board of directors.

Each of the four nationally operating banks and the Reserve Bank appoint a director. Regional banks collectively appoint a director, as do all other banks as a single group, building societies and credit unions. There are nine voting directors in total. To become a share member an institution must be eligible for participating membership in one or more of APCA's clearing systems and must fall within one of the institutional groupings specified in the company's constitution. (See page 6 "Company Restructure".)

Participating Membership

Participating members are institutions which participate on a day-to-day operational basis in one or more of APCA's clearing systems. Eligibility requirements for participating membership are contained in the rules for each clearing system. Participating members need not be share members, but are encouraged to become share members if they are entitled.

There are five classes of participating membership, corresponding to the five clearing systems. Within each of these five classes, there may be different categories of participating membership depending upon the manner in which an institution participates in a particular clearing system.

Participating members are represented on the management committees of each of the clearing systems in which they participate. In the APCS, BECS and HVCS, representation is structured on the same basis as it is at Board level (by institution or share member class), except that any individual member with 5% or more of a system's clearing volume is entitled to management committee representation in its own right.

Representation on the CECS and ACDES management committees has been structured differently. A right to representation is largely based around a participating member attaining 5% or more of clearing system volume only, rather than being strictly institutionally based. However, the Reserve Bank (in CECS and ACDES) and building societies and credit unions (in CECS only) have separately retained representation rights, which will continue under the new constitution. (See page 6 "Company Restructure".)

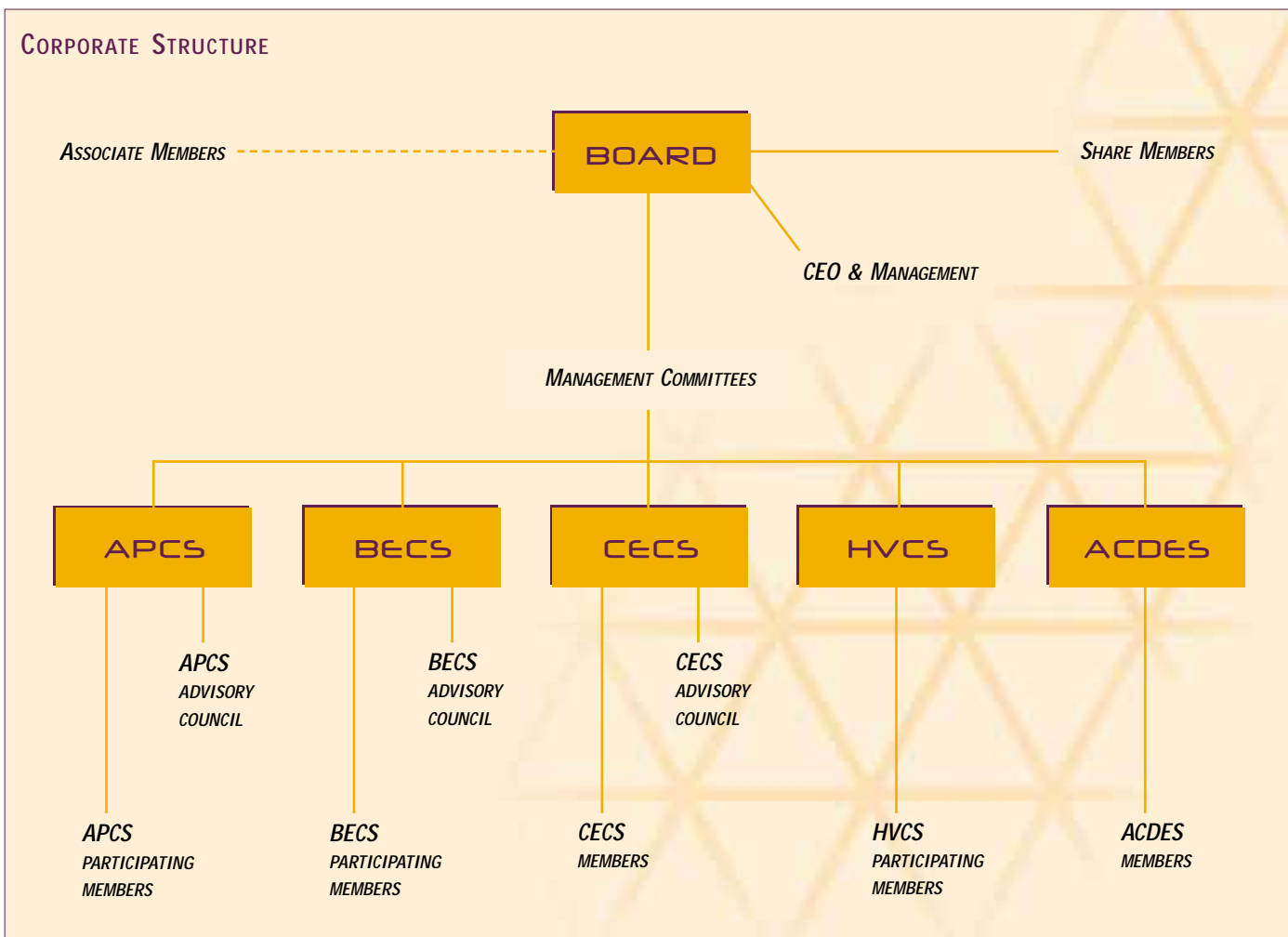
Advisory Council Membership

Advisory councils provide a formal liaison framework for organisations that have an interest in a particular clearing system but are otherwise not entitled to join that system as a participating member.

Each management committee of a clearing system is required to liaise with the advisory council for that system, and must have regard to the opinions or decisions of the council in performing its duties. Advisory council members are appointed by the board for a one year term.

Associate Membership

Associate members are individuals or organisations interested in payments system matters that wish to be kept informed of developments in APCA. There are no specific membership criteria but an associate member cannot be a share or participating member.





"levelling the playing field"

*Left to right: Stephen Hills, General Counsel;
and Stephen Halliday, Director Member Services.*

COMPANY RESTRUCTURE

APCA's shareholding structure and associated representation on the board and the APCS, BECS and HVCS management committees has been largely institutionally based.

On 30 May 2002 share members approved a new corporate structure for APCA and, correspondingly, a new constitution. The new corporate structure and constitution are the result of extensive deliberations by directors over the previous three years and are intended to extend APCA's membership boundaries. It is expected that the new constitution will be formally in place in August 2002, once certain ASIC requirements have been fulfilled.

Under the new structure 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. The existing shareholding structure (comprising five classes of shares) will be replaced with a single category of owner member.

The new structure means that all participating members of APCA's clearing systems will be entitled to owner membership. Rights to appoint directors and management committee members (and accompanying voting entitlements) will be largely determined on the basis of clearing system volumes rather than institutional status. Rights of representation at the board will however be retained by credit unions and building societies, as will their rights of representation on the management committees of APCS, BECS, CECS and HVCS provided

they participate in these systems. The Reserve Bank will retain rights of representation at the board and on all management committees.

Directors will have a right to appoint one additional non-executive director at their discretion. Similarly, directors will have rights to appoint additional members of management committees. The constitution and clearing system regulations set out the basis upon which appointments may be made to fill the discretionary directorship and management committee positions.

Advisory Councils

OVERVIEW

The advisory councils were established in late 1999 to widen consultation by taking into account the views of organisations with a significant role in the clearing system, but which did not clear and settle payments in their own right.

During the first two years of operation, advisory councils have progressively operated in a more integrated fashion with management committees. To measure progress in this respect, APCA conducted a formal assessment during the third quarter of 2001. The councils and their management committees evaluated the performance and effectiveness of the councils and their interaction with the management committees. This study highlighted areas that were working well and identified issues that might perhaps hinder the councils' contributions to APCA.

As a result, a number of initiatives were introduced to enhance communication between advisory council and management committee members and improve processes within the clearing systems. Where possible, each clearing system has a council member (in addition to the chairman of the council) present in rotation at each

management committee. A management committee member, also in rotation, attends each council meeting. Councils have also adopted alternatives to formal meeting processes, such as working sessions, and make presentations to the management committee on proposals for action. APCA plans to repeat this assessment process each year.

APCS ADVISORY COUNCIL

The APCS advisory council took part in the "For-Value" Exchanges Improvement project through the Business Principles Imaging & Truncation Working Group, to address the high volume of items failing the proof and capture process. Members also provided assistance to the Image Interchange Standards Working Group during the development of file format standards and standards for exchange of images. Two council members provided representation on the fraud committee.

BECS ADVISORY COUNCIL

Representatives of the BECS advisory council participated in the BECS strategic review. This involved evaluating a number of initiatives including the possibility of providing

for deposits to credit card accounts through BECS.

Council members contributed to the proposed standards developed by the BECS Message Reconciliation & Validation Working Group and provided input to discussions coming out of recommendations made by Mr Richard Viney in his review of the Australian Bankers' Association commissioned Code of Banking Practice.

CECS ADVISORY COUNCIL

The CECS advisory council is represented on the Contingency Fallback Working Group. This group has been considering the electronic processing of fallback transactions and has developed issuer standards, including embossing and encoding rules for cards.

Council members were also involved in the Crisis Management Action Plan. This provides guidelines for preventative measures and risk management actions for fraudulent activity perpetrated on ATM or EFTPOS devices. During the year, the council made recommendations to the management committee in relation to standardising key management and exchange protocols.

APCS ADVISORY COUNCIL		BECS ADVISORY COUNCIL		CECS ADVISORY COUNCIL	
Barbara Lindorff*	Prismac Systems	Keith Finkelde*	IFSA	Michael Aaron*	IBM
Harry Asquith	Australian Taxation Office	Michael Aaron	IBM	Erik Andersen	First Data Resources
Mike Box	Unisys Payment Services	Harry Asquith	Australian Taxation Office	Fady Daher	American Express
Ken Carville	TeleCheck Australia	Mark Bezzina	Standards Australia	Tem Elliott	Keycorp
Robert Chesney	Lithographic Institute	Gary Bigelow	Prismac Systems	Anne Ferris	Shell Australia
Alasdair Drummond	Unisys Australia	John Finnin	MYOB Australia	Anne Henry	NCR
Michael Israel	Carreker Corporation	Mangala Martinus	Cashcard Australia	Wayne Jorgensen	MasterCard
Gregory King	Travelex	Christine Morris	CITEC	Glenn Pitt	Visa
Tony Kurtz	EDS	Andrew Robertson	Tradegate Australia	Warren Scheuber	Hypercom
George Pantic	Australia Post	Lynette Seeto	Centrelink	Mark Schnitzerling	EBS
Glenn Tattersall	Certery Australia	Jason Seoud	Pegasystems	Brett Thompson	Eracom
				Peter Wardrop	Intellect Australia
				Penny Winn	Woolworths

*Chairman

Operations

Australian Paper Clearing System

APCS governs the exchange and settlement of cheques.

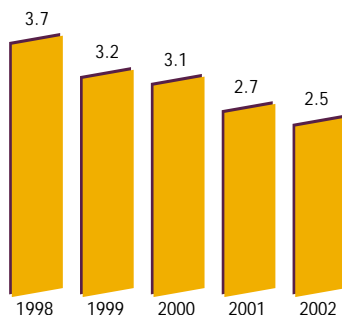
While cheques remain important, their use continues to gradually fall. Over the last four years, cheque payments have declined in number by 32% and by 50% in value.

IMAGING PUT ON HOLD

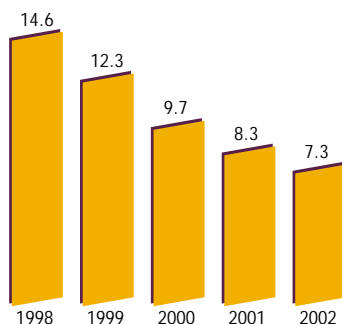
Imaging offers the potential of cheque truncation and economies of processing. A model was investigated based around access to images. In this model, images would be archived at the point of capture with access provided to drawee financial institutions across a fast and secure communications network. While the model itself holds promise it would not work effectively in current circumstances where there are a significant number of cheques which fail the proof and capture process and which, as a result, have to be exchanged physically "for-value". Quite simply, too many images would need to be accessed for the process to be workable. As a result of this, further consideration of imaging was put on hold pending the outcome of a project to reduce radically the number of cheques that need to be exchanged "for-value".

REDUCING "FOR-VALUE" EXCHANGES

Currently over 20,000 cheques each day are exchanged "for-value". While this is considerably down on a year ago, further reductions are needed. A more informed printing and banking community is seen as part of the answer. In response APCA is conducting seminars on cheque printing standards for relevant financial institution staff and printers. This supplements APCA's participation in printing conferences. Another potential remedy is introducing better quality control of cheque printing. In response APCA



Average Number of Cheque Transactions per Day (in millions)



Average Value of Cheques per Day (in \$billions)

is investigating the introduction of a cheque printer accreditation scheme with somewhat similar features to a scheme managed by APACS, the United Kingdom's payments association.

CHEQUE PRINTER ACCREDITATION

APCA has been considering establishing a cheque printer accreditation scheme for some time as part of a strategy to combat cheque fraud. A further potential benefit is the one identified previously of reducing the incidence of "for-value" exchanges.

The proposed accreditation scheme would set minimum standards for the security of cheque printing premises, work practices and printing processes. Accrediting those printing companies meeting these standards would have the objective of improving the general quality of cheques and thus contributing to reducing fraud and improving processing efficiency.

A working group, with strong representation from the printing industry, has been established to

develop the requisite standards. At the same time, a steering committee is assessing the costs, benefits and feasibility of the scheme. Implementation of the scheme will depend on the results of this assessment.

AMENDMENTS TO SPECIAL ANSWERS

Amendments were made to the APCS procedures to allow non-drawee issuers of cheques to directly request special answers and to respond directly to requests for special answers. Special answers are provided by financial institutions to their customers on request to speed the clearance of particular cheques. Prior to the amendments non-drawee issuers, mainly some building societies and credit unions, could request and receive special answers only via the bank whose cheques they issued. These amendments improve system efficiency and assist non-drawee issuers in providing a more responsive level of service to their customers.

NEW FALL-BACK PROCEDURES

APCA developed new fall-back procedures to assist members experiencing a processing disruption.

In the normal course, all file exchanges between tier 1A members of APCS are transmitted electronically. Fall-back procedures currently envisage the use of physical medium, in particular magnetic tape exchanges. This has become outdated and not all members retain or wish to retain the ability to create and exchange magnetic tapes. The new procedures require members to upgrade their fall-back arrangements, from the use of physical medium to an electronic communications method (eg leased line). Implementation of the procedures will be phased with a scheduled completion of October 2003.

As an ongoing measure, members will conduct annual bilateral testing of their fall-back arrangements to ensure their continuing currency.

Bulk Electronic Clearing System

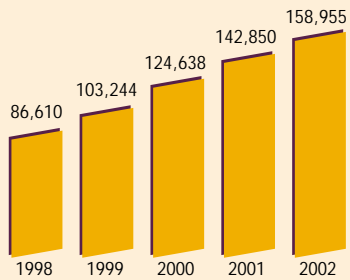
BECS governs the exchange and settlement of direct entry debit and credit payments.

Direct entry is a cost-effective system for processing mostly low value recurring payment transactions. It is cost effective principally because transactions are batched and exchanged in bulk.

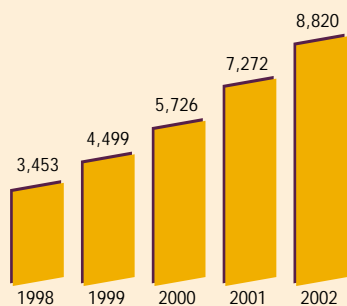
Direct entry continues to grow strongly. The number of organisations using the direct entry debit system increased by 21% this year and by more than 155% over the last four years. Over the same periods, the number of direct entry credit users grew by 11% and 83% respectively.

NEW FALL-BACK PROCEDURES

New fall-back procedures have been developed for BECS in line with those developed for APCS.



Number of Direct Entry Credit Users
(as at 30 June)



Number of Direct Entry Debit Users
(as at 30 June)



In the normal course, all file exchanges between tier 1 members of BECS are transmitted electronically. The new procedures require members to upgrade their fall-back arrangements, from the use of physical medium to an electronic communications method.

As in APCS, implementation of the procedures will be phased with a scheduled completion of October 2003, with annual testing thereafter.

POTENTIAL SYSTEM ENHANCEMENT

As reported last year, APCA hosted an industry workshop in April 2001 to assess potential enhancements to the direct entry system.

The outcome of the workshop formed the basis of a subsequent feasibility study. The study was careful to evaluate proposals against the need to retain the cost-effectiveness of direct entry. A number of proposals were analysed and eventually rejected because they would have been too costly to implement. However one particular proposal holds some promise and is being investigated.

The proposal in question is directed towards developing conventions that will allow both debit and credit users of the system to make better use of the fields within the current message format. Effectively the aim is to facilitate the provision of more

complete and meaningful information within a direct entry payment message, so that it can be reconciled with more surety and precision with the underlying transaction.

To carry investigation of the proposal further, APCA is participating in an industry forum under the auspices of the National Office for the Information Economy and Standards Australia. Output from this forum will be considered by the BECS management committee.

BETTER DATABASE MANAGEMENT

The efficiency and security of the BECS UserID Database System (BUDS) was significantly improved by replacing facsimile transmission and email for daily message exchanges with the use of APCA's extranet.

APCA owns and manages BUDS. This database, which is updated daily, holds details of all organisations that use direct entry to make or receive payments. BECS members provide these details for organisations which they sponsor into the direct debit side of the system or for which they lodge credit files.

Consumer Electronic Clearing System

CECS is the system governing the exchange of ATM and EFTPOS transactions. In the survey period in 2002 the number of ATM transactions was 2.2% higher than in the corresponding period in 2001 and the number of EFTPOS transaction 11.0% higher.

It is interesting to note that Australia achieved a completely connected ATM environment in July 2001, meaning that any debit card can be used at any ATM.

NEW MEMBERSHIP

In March 2002, the CECS membership application of Cashcard Australia Limited was approved. Cashcard is the first new member to join the system's 15 initial members. As the payments clearing environment

continues to change, APCA expects that more institutions outside the traditional group will become members of CECS.

NEW STANDARDS

Card issuer standards and related certification requirements were developed and incorporated as a new section in the CECS manual. The standards were authorised by the ACCC in May 2002, and will become effective in August 2002. The certification requirements for card issuers follow those currently in place for acquirers and merchant principals. Each issuer is required to undertake an initial certification process and then re-certify once every three years.

New standards were introduced during the year to improve the process for handling cards retained by ATMs. Captured cards can now be returned directly to the cardholder, rather than to the issuing financial institution, provided the customer's identity is satisfactorily established and the card is captured due to an ATM or system malfunction. In other circumstances, retained cards will be destroyed in a secure manner to prevent their misuse.

New message formats were developed 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 and by bilateral agreement.

INTEGRITY AND EFFICIENCY

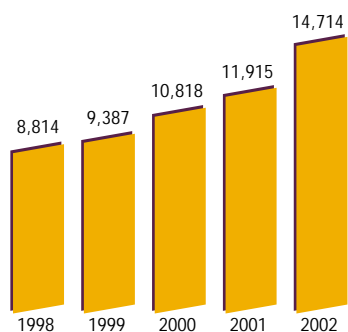
New projects were initiated during the year to maintain the integrity and efficiency of the clearing system. A capacity planning sub-committee was also established to ensure that the network carrying ATM and EFTPOS transactions maintains sufficient capacity particularly during periods of peak demand.

ELECTRONIC FALL-BACK PROCESSING

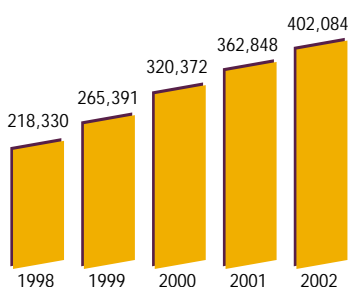
When an EFTPOS transaction cannot be authorised and completed online, the retail merchant reverts to fall-back procedures, generally by way of a paper voucher. These fall-back procedures were reviewed and a project commenced to introduce electronic processing for fall-back transactions. The business requirements, which have been completed as part of the project, specify in part that fall-back transactions between acquirers and issuers should be transmitted electronically by end March 2004 and between merchants and acquirers, where possible, by end December 2005.

CRISIS MANAGEMENT

An industry guideline document was developed and incorporated into the CECS manual describing preventative measures and risk management actions to counter the risk of different types of service disruptions and fraudulent activity related to the ATM or EFTPOS networks. Application of the guideline is at the discretion of each CECS member.



Number of ATM Terminals
(as at 30 June)



Number of EFTPOS Terminals
(as at 30 June)

High Value Clearing System

HVCS governs the exchange of SWIFT PDS payments, with settlement occurring on a real time gross settlement (RTGS) basis via the Reserve Bank Information and Transfer System (RITS).

HVCS experienced another year of growth in both payment volumes and payment values. The total number of transactions processed by HVCS for the year increased by 7%, to just over 4 million, and the total value of transactions by some 3.5% to \$20,790 billion.

CONTINUOUS LINKED SETTLEMENT (CLS)

CLS Bank will become a member of HVCS when it commences controlled unscripted live testing, which it is currently due to do in the third quarter of 2002.

CLS is a multi-currency arrangement that enables both parts of a foreign exchange transaction to be settled simultaneously, across CLS Bank accounts, thus eliminating foreign exchange settlement risk for such payments.

HVCS Procedures have been amended to facilitate CLS Bank joining HVCS. In part these amendments concerned hours of operations. As CLS Bank operates on Central European Time, the processing hours for HVCS have been extended into the evening to enable CLS payment exchanges to occur.

Participation in the extended session will be at the discretion of the individual HVCS members and by individual arrangement with the Reserve Bank. To avoid continuous changes in member set-up, HVCS members opting to participate will be required to commit to the extended processing arrangements session for a period of three months at a time.



CLS Bank commenced trials in the RTGS environment on 24 May 2002. During the testing phase, selected HVCS members have been required to prove their connectivity to CLS and provide evidence that they can process transactions and pay-in funds according to the pay-in schedules generated by CLS. CLS Bank will commence live operations following the testing referred to above.

NEW MESSAGE TYPE: STRAIGHT THROUGH PROCESSING (STP)

A new message type has been included in the HVCS Procedures to support STP.

STP is where payment messages can be automatically applied to the correct beneficiary account without the need for manual intervention at the receiving institution. This results in more efficient processing of payments.

The SWIFT message type MT103, to support STP, was introduced in November 2001, following the

successful completion of industry testing. HVCS members are able to continue processing payments using the former message type MT100 until it is withdrawn from use in November 2003.

For the record, APCA

- ▲ provided secretarial support to the Australian SWIFT National Member Group;
- ▲ made payment to the Reserve Bank for the administration of the CHES Multilateral Batch Settlement Facility; and
- ▲ contributed, with the ASX, to the retainer fee to maintain the CHES-related Payments Provider Tribunal.

Australian Cash Distribution and Exchange System

APCA established a new system, ACDES – its fifth clearing system – to govern the exchange and distribution of “wholesale” cash.

NEW SYSTEM

Until August 2001, notes and coins not in circulation were owned and managed by the Reserve Bank and held in more than 80 armoured carrier depots around Australia. The establishment of ACDES followed the decision of the Reserve Bank to transfer the ownership and management responsibility for this cash to a number of banks.

ACDES was established in December 2001. The system provides a safe and efficient set of rules for the exchange and distribution of cash. The rules deal with matters such as buying and selling cash, 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.

Financial institutions have long had responsibility for supplying cash to the community. While some financial institutions obtain their cash requirements “commercially”, usually from armoured carrier companies, the four largest banks and one regional bank, who together supply the predominant part of the community's cash needs, now own and manage cash directly. It is these banks that have become the five initial members of the system.

OPEN MEMBERSHIP

The new system is open to all financial institutions and other companies wishing to join the system and which participate in the cash distribution and exchange activities encompassed by the ACDES rules. Members exchanging cash with each other within the system must comply with the ACDES rules. There are no restrictions on dealings by members outside ACDES. As with all of APCA's clearing systems,

membership of ACDES is voluntary. In other words, institutions may participate in the underlying activity of cash exchanges without becoming a member of the system.

DOING THINGS BETTER

ACDES rules are designed to facilitate institutions with a shortage of particular denominations of cash in a particular geographic area being able to obtain cash from those with a corresponding surplus. A principal objective of the arrangements is to minimise the overall quantity of cash – because of its carry cost – while at the same time ensuring that the right amounts and denominations of cash are in the right place at the right time. The outcome to date, however, is that the current way of doing things is not meeting this objective as well as expected. In particular cash holdings of each member are higher than expected. In response to this outcome a project was put in place to identify and implement improvements to the way cash is managed.

There are a number of reasons why the current arrangements are not working efficiently. Particularly important are the thinness of the market, with only five participants, and the time and logistics in physically delivering cash once bought or sold. This has meant that each member tends to hold precautionary buffer stocks.

An assessment is being made of alternative arrangements which would reduce the overall cash buffer requirement while, at the same time, maintaining service standards in terms of meeting cash demands.



Cross System

FAILURE TO SETTLE (FTS)

APCA has FTS provisions in APCS, BECS and HVCS based around members of those systems sharing losses in the event of one of their number being unable to settle.

These provisions have been the subject of a thoroughgoing review during the year under the guidance of a board appointed FTS sub-committee. This review encompassed the impact that the operations of CLS Bank would have on the HVCS FTS rules but went further than this in looking again at the rationale of loss sharing as it applies across all of APCA's clearing systems. This included the new FTS rules prepared for APCS which, as reported last year, had received ACCC authorisation, but because of the review have not been implemented.

The conclusion of this review, though the work has not yet finished, is that a better approach than sharing losses

might be one which mitigates losses so far as this is possible in the first instance, with any residual losses lying where they fall between the defaulter and other members.

It is anticipated that rules built around this new approach will be developed in the coming year for APCS, BECS and HVCS (when in fallback mode). The guiding principle will remain one of ensuring that the FTS rules facilitate the timely completion of a revised settlement if failure occurs and that the payments system so far as possible continues to operate seamlessly.

FRAUD PREVENTION

The fraud committee (a committee of the board) introduced an expanded data collection to better classify the types of fraudulent activity involving cheques and also instigated a collection of data on debit card fraud.

This data will give a more detailed picture of fraud at an industry level and assist in the development of counter measures.

STATISTICS

APCA collects statistics on an annual basis to measure payments trends. The future of the collection will be considered in the light of a new series of payments statistics to be published by the Reserve Bank. There is no value in APCA duplicating the effort of the Reserve Bank.

At the same time, there may be some scope for APCA to benchmark aspects of payments clearing which are not transparent in summary figures on payment trends.

PKI PROJECT

During the year, APCA undertook an assessment of the potential application of the APCA PKI to determine to what extent the service may be used by member institutions.

The study found that there was no prospective role for the APCA PKI to play in the Australian payments system. As a result, the project has been shelved.



**“Clearing Systems
provide rules
for the game”**

Michael Forey, Director Project Management & Operations.

Industry & Community

INDUSTRY ISSUES

In July 2001, APCA attended a round table meeting convened by ASIC to examine issues related to direct debit, which had been raised as part of Mr Richard Viney's review of the Code of Banking Practice commissioned by the Australian Bankers' Association (ABA).

Prior to the meeting, APCA had responded to a concern raised by Mr Viney relating to direct debit cancellation processes by amending the direct debit rules to make it clear that customers had the right to cancel a debiting authority at their financial institution. While this right had always existed, there was ambiguity in the rules, which meant they could be construed as requiring customers to first approach the billing organisation before their financial institution.

Following the ASIC round table, APCA made a further change to the direct debit rules of a similar kind to that previously made. In this case it was to make it clear that customers who considered a particular debit to be wrongfully made had the right to make a claim directly with their financial institution without first approaching the billing organisation.

APCA intends to monitor the effectiveness of the cancellation and claims processes to ensure they provide adequate consumer safeguards.

INDUSTRY REPRESENTATION

APCA participates in a number of forums.

- ▲ *ISO/TC68/SC6/Working Group 6*, developing standards for security in retail banking.
- ▲ *ISO/TC68/SC6/Working Group 11*, developing international standards for banking and related financial services in particular triple data encryption algorithms.
- ▲ *Standards Australia Committee IT/5*, developing standards for financial transaction systems.
- ▲ *Standards Australia Working Group IT/5/4*, developing standards for authentication and security.
- ▲ *Standards Australia IT 12/4/1*, developing standards for an Australian public key authentication framework.

KEEPING OUR COMMUNITY INFORMED

A key APCA objective is to assist in furthering the community's understanding of the payments system and to contribute to well-informed public debate.

Management meets regularly with industry bodies and associations and participates in conferences and other forums to keep abreast of developments and their impact on payments clearing.

For the most part APCA's members are banks, credit unions and building societies. Bodies representing credit unions (CUSCAL) and building societies (ASL) are members of APCA in their own right. This gives these bodies a level of information not available to the ABA. In part to remedy this, regular briefing sessions are held with the ABA.



"Working together as a team"



Left to right: Ben Cato, Financial Controller; and Phil Timms, Director Corporate Affairs.

APCA also holds information sessions and workshops for its members on industry related matters. Industry workshops covering the printing standards in APCA publications are scheduled for Sydney, Melbourne, Brisbane and Perth in the third quarter 2002.

A new initiative this year was instigating a program of bi-annual briefing sessions for associate members at which senior management provides updates on current APCA activities and future projects.

In addition to the regular quarterly publication *Payments Monitor*, a new electronic newsletter providing updates on more detailed activities across the clearing systems was introduced for committee and advisory council members. An adapted version of this publication was specifically produced for associate members.

EXTRANET AND WEBSITE

During the year, APCA continued to develop its on-line capabilities to ensure stakeholders have speedy access to information.

Ongoing enhancements to APCA's extranet have further improved security and useability. All papers for meetings, latest schedules and up to date membership details are now available on the extranet. Secure access is extended to all directors, management committee and advisory council members, operational contacts and members of working groups. Traffic to APCA's extranet grew from 160,000 visits last year to 232,000 this year.

APCA has also embarked on a project to revamp its web site. This includes a new look for the site and a comprehensive content review.

Management

APCA management ensures that compliance obligations are met, supports the company's committee structure, manages operations and projects and contributes to strategy.

CORPORATE COMPLIANCE

The board endorsed formal terms of reference for a management compliance committee to oversee and update the company's compliance-related internal management policies. This endorsement reflects the increased staffing since the company's formation and the increasing complexity of the company's affairs.

COMMITTEE SUPPORT

More than 100 meetings of the board, management and other committees, working groups and advisory councils were supported during the year.

PROJECT MANAGEMENT

Project management operates within a clearly defined methodology in coordinating and managing industry projects. A permanent team of project managers is in place. For some specific project-related tasks, the expertise of contractors is used to supplement the work of the project management team.

To ensure a clearer project management focus, a project manager is assigned to each clearing system. This has enabled a consistent approach for all intra-system initiatives and further improved communication between the various committees, councils and working groups.

STRATEGY REVIEW

During the year, APCA reviewed and refined its role in payments strategy.

In Australia's payments industry, strategy is driven more by competitive rather than cooperative forces. This means that strategic initiatives, particularly those resulting in new products and services, generally take place at the individual institutional level or through joint ventures. 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 continue to play a key role in process improvement through its project management and operations activities. It will also continue to respond to members' requests to investigate particular strategic initiatives and workshop potential strategies, such as the study undertaken this year to investigate the feasibility of introducing customer PIN entry at point of sale for credit card transactions.

ORGANISATION STRUCTURE



Corporate Governance

THE BOARD OF DIRECTORS

The board is responsible for the corporate governance of the company and setting the company's strategic direction.

The board comprises a chairman appointed by directors, non-executive directors appointed by APCA shareholders (to become owner members once the new constitution is formally in place) and the chief executive officer.

The company's constitution sets out the rights of shareholders to appoint directors. The term of each of the non-executive directors expires every second year. Other than the chairman, the non-executive directors are nominee directors.

CHAIRMAN OF THE BOARD

The chairman is a non-voting director and holds office for two years from the date of appointment, and may be re-appointed.

A nominee director may not simultaneously hold the office of chairman of the company. The company's policy since October 1999 has been to appoint an independent chairman from outside APCA's membership.

The current chairman, Mr R N Challis, has been appointed to office until 21 October 2003.

CHIEF EXECUTIVE OFFICER

The chief executive officer (CEO) is a board-appointed, non-voting director. The CEO is responsible for overall management of the company's affairs in accordance with the direction determined by the board.

The broad duties and responsibilities of the CEO are set by the board. The CEO's goals for each year are agreed by the board in consultation with the CEO and the board annually assesses the CEO's performance against these goals.

BOARD COMMITTEES

The management committees, which supervise the company's five clearing systems, are committees of the board exercising powers delegated by the board.

The board has also established two permanent committees to assist it in fulfilling certain responsibilities. These are the Finance and Audit Committee and the Remuneration Committee.

The board can also establish other committees as it sees fit to assist in managing the company's affairs. Currently established are an ad hoc FTS sub-committee and a fraud committee.

Finance and Audit Committee

The Finance and Audit Committee's charter includes reviewing internal financial practices and external audits, monitoring the effectiveness of the company's financial practices and controls and administrative policies, monitoring risk exposures and statutory compliance, and reviewing the budget and monitoring expenditure against it. It is also responsible for recommending to the board the appointment of the company's auditors. The Finance and Audit Committee currently comprises four non-executive directors/alternate directors (Mr B F Munro, Mr D E Banks, Dr J M Veale and Mr C S Moore) and the CEO.

Remuneration Committee

The Remuneration Committee comprises the company chairman and the members of the Finance and Audit Committee. The Remuneration Committee's main responsibilities are to recommend remuneration policies and practices for the company generally and to recommend remuneration levels and contractual arrangements for the CEO.

RISK MANAGEMENT

Each year the board approves the company's budget and operational plan. This allows the board to monitor the strategic direction the

company is taking and to evaluate operational risk and ensure it is effectively managed.

In addition to a financial audit, the company has an annual external extended audit to test adherence to accounting policies. The board reviews reports of both audits.

CORPORATE COMPLIANCE

The Compliance Committee comprises APCA's general counsel as convenor and chairman, legal counsel, the financial controller, administration manager, records manager and director member services.

The primary functions of the Compliance Committee are to establish, promulgate and review management policies and protocols to ensure the company complies with its legal obligations and the company's staff apply good corporate governance practices. The Compliance Committee reports to the CEO, who reports matters of significance to the board.

CODES OF CONDUCT

All directors, management committee members and senior executive staff must comply with a Directors' and Officers' Code of Conduct. The code is based on a model from the Australian Institute of Company Directors, which generally reflects directors' duties under the law, and has been modified to suit APCA's role as an industry body.

Additionally, all APCA staff are required to adhere to a code of conduct providing guidelines on such matters as confidentiality, conflict of interest and standards of behaviour in business dealings.

FINANCIAL STATEMENTS

The company's financial statements are published separately. Remuneration of the chairman, the CEO and senior executives, is disclosed in the usual manner in the notes to the financial statements.

Directors

The names of APCA directors in office at the date of this report are set out below, together with particulars of their qualifications, experience and special responsibilities.



BOARD CHANGES

There were a number of changes to the APCA board of directors during the year.

Brian Mecklem, a long-standing director, resigned from the board in September 2001. Mr Mecklem (NAB) joined the board in 1993 and made a significant contribution during his term. Sean Straney (WBC) left the board in November 2001.

At the 2001 Annual General Meeting, Geoffrey Bennett (NAB), Damian Banks (WBC) and Louise Clarke (B Class share members) were appointed to the board for the new two year term. Mr Bennett resigned during the year and was replaced by Geoffrey Bebbington in May 2002.

Mr R N Challis *Dip Bank, FAIB, ABINZ*

CHAIRMAN

(Non-executive director)

Over forty years banking experience with the Australia and New Zealand Banking Group Limited. Retired in 1997, having occupied a number of general manager positions and directorships on several ANZ subsidiary companies. Chairman of Austraclear Ltd 1990-94. Appointed as a director and chairman of the company in October 1999. *Chairman of the Remuneration Committee.*

Mr D E Banks

(Non-executive director)

Head of Payments, Westpac Banking Corporation. Over ten years experience in banking, including call centre management, payments, product management and related areas. Appointed by Westpac Banking Corporation as a director in November 2001. *Chairman, Management Committee of the Australian Paper Clearing System (CS1). Member of the Finance and Audit Committee and the Remuneration Committee.*

Mr G L Bebbington *BE(Hons)*

(Non-executive director)

Head of Payments Policy, National Australia Bank Limited. Over 20 years experience in financial services in business and technology related roles as both a senior executive and internal/external consultant. Currently a director and Chairman of the Bankcard Association of Australia. Appointed by National Australia Bank Limited as a director in May 2002. *Chairman, Management Committee of the Australian Cash Distribution and Exchange System (CS5).*

Ms L A Clarke

(Non-executive director)

Vice President, Global Markets, State Street Bank and Trust Company. Over sixteen years experience in the banking industry in Australia. Appointed by the 'B' class redeemable preference shareholders (other banks) as a director in November 2001. *Chairman, Management Committee of the High Value Clearing System (CS4).*

Mr M S Genovese

(Non-executive director)

General Manager Financial Services and Sales, Credit Union Services Corporation (Australia) Limited. Over twenty years experience within the credit union industry. Positions held include general manager roles of two credit unions, Head of Regional, Rural and International Credit Union Development. Appointed by the 'D' class redeemable preference shareholders (credit unions) as a director in June 2001.



Mr D C Gregg BA Sc, MBA
(Non-executive director)

General Manager, Electronic Solutions and Services, St. George Bank Limited. Responsible for electronic banking services (ATMs, Debit Cards & Credit Cards, Personal Loans, EFTPOS, BPAY and Internet Banking). Thirteen years experience in the banking industry in both Australia and Canada which included two years as CEO of Mondex Australia Pty Ltd and seven years as General Manager of Canadian Imperial Bank of Commerce. Other directorships include Cardlink Services Ltd, EPP Ltd and BPAY Pty Ltd. Appointed by the 'A' class redeemable preference shareholders (state and regional banks) as a director in October 2000. *Chairman of the Fraud Committee.*



Mr P A Inglis BEc(Hons)
(Non-executive director)

Head, Payments Industry Liaison, Operations, Technology & Shared Services, Australia and New Zealand Banking Group Limited. Over fifteen years experience in the banking industry in payments and economics; five years in government service, including Federal Treasury. Appointed by the Australia and New Zealand Banking Group Limited as a director in July 1998. *Chairman, Management Committee of the Consumer Electronic Clearing System (CS3).*



Mr B F Munro BBus, FAIB
DEPUTY CHAIRMAN
(Non-executive director)

Executive General Manager, Working Capital Services, Institutional and Business Services, Commonwealth Bank of Australia. Over twenty years experience in banking, including financial and capital markets. Current position is focussed on providing working capital solutions, including payments and related services, to small, medium, and large businesses and financial institutions. Appointed by the Commonwealth Bank of Australia as a director in May 1998. *Chairman, Management Committee of the Bulk Electronic Clearing System (CS2), Chairman of the Finance and Audit Committee, and member of the Remuneration Committee.*



Dr P R Smith BEc(Hons), PhD, FAICD
CHIEF EXECUTIVE OFFICER
(Executive director)

Thirteen years experience in the banking industry prior to joining APCA, two years in government service in Papua New Guinea, and academic appointments in the Universities of Western Australia and Adelaide. Chief Executive Officer since the company started in February 1992 and appointed as Executive Director in April 1992. *Member of the Finance and Audit Committee and the Remuneration Committee.*



Mr J N Toms BComm
(Non-executive director)

Chief Executive Officer, Australian Settlements Limited and Assistant Executive Director, Australian Association of Permanent Building Societies Incorporated. Over seventeen years experience in areas of industry policy, particularly payments systems. Director of National Custodian Limited. Appointed by the 'C' class redeemable preference shareholders (building societies) as a director in December 1992.



Dr J M Veale DipEd., BA (Hons), MEd, PhD
(Non-executive director)

Head of Payments Policy Department, Reserve Bank of Australia. Ten years in academic positions in Australia and the United Kingdom, and over eighteen years experience in Australian central banking. Appointed as a director in January 1998. *Member of the Finance and Audit Committee and the Remuneration Committee.*

Share & Clearing System Members

APCA MEMBERS (as at 30 June 2002) <i>* Denotes share members</i>	CLEARING SYSTEM MEMBER				
	CS1	CS2	CS3	CS4	CS5
Australia and New Zealand Banking Group Limited*	▲	▲	▲	▲	▲
Commonwealth Bank of Australia*	▲	▲	▲	▲	▲
National Australia Bank Limited*	▲	▲	▲	▲	▲
Reserve Bank of Australia*	▲	▲	▲	▲	▲
Westpac Banking Corporation*	▲	▲	▲	▲	▲
Adelaide Bank Limited*	▲	▲	▲	▲	
Bank of Queensland Limited*	▲	▲	▲	▲	
Bank of Western Australia Limited*	▲	▲	▲	▲	▲
Bendigo Bank Limited*	▲	▲	▲	▲	
St. George Bank Limited*	▲	▲	▲	▲	
Suncorp-Metway Limited*	▲	▲	▲	▲	
ABN AMRO Bank, NV*				▲	
AMP Bank Limited*	▲	▲		▲	
Arab Bank Australia Limited*	▲	▲		▲	
Bank of America National Association*	▲	▲		▲	
Bank of China*	▲	▲		▲	
Bank of Tokyo-Mitsubishi (Australia) Limited*	▲	▲		▲	
Bank One National Association*	▲	▲		▲	
Barclays Bank PLC*				▲	
Citibank Limited*	▲	▲	▲	▲	
Deutsche Bank AG*	▲	▲		▲	
HSBC Bank Australia Limited*	▲	▲		▲	
HSBC Bank plc*	▲	▲		▲	
IBJ Australia Bank Limited*	▲	▲		▲	
ING Bank (Australia) Limited*	▲	▲		▲	
JP Morgan Chase Bank*	▲	▲		▲	
Macquarie Bank Limited*	▲	▲		▲	
Mizuho Corporate Bank Limited*	▲	▲		▲	
N.M. Rothschild & Sons (Australia) Limited*				▲	
Oversea-Chinese Banking Corporation Limited*	▲	▲		▲	
Royal Bank of Canada*				▲	
Standard Chartered Bank*				▲	
State Street Bank & Trust Company*	▲	▲		▲	
United Overseas Bank Limited*	▲	▲		▲	
Australian Association of Permanent Building Societies Incorporated (AAPBS)*					
Credit Union Services Corporation (Australia) Limited (CUSCAL)*	▲	▲	▲	▲	
CreditLink Services Ltd*	▲	▲			
ABS Building Society Ltd		▲			
Australian Settlements Limited (ASL)	▲	▲	▲	▲	
Australian Unity Building Society Limited	▲	▲			
Bananacoast Community Credit Union Limited	▲				

APCA MEMBERS (as at 30 June 2002) <i>△ Membership yet to become effective</i>	CLEARING SYSTEM MEMBER				
	CS1	CS2	CS3	CS4	CS5
Bank of Cyprus Australia Pty Limited	▲	▲			
B & E Ltd	▲	▲			
BNP Paribas				▲	
Cashcard Australia Limited			△		
Coles Myer Ltd			▲		
Credit Suisse First Boston				▲	
Dresdner Bank AG				▲	
First Australian Building Society Limited	▲	▲			
GIO Building Society Limited		▲			
Greater Building Society Limited	▲	▲			
Heritage Building Society Limited	▲	▲			
Home Building Society Ltd		▲			
HSBC Building Society (Australia) Limited	▲	▲			
Hume Building Society Limited	▲	▲			
Hunter United Employees' Credit Union Limited	▲				
IMB Limited	▲	▲			
ING Bank N.V. (Sydney Branch)	▲	▲		▲	
IOOF Building Society Limited	▲	▲			
Laiki Bank (Australia) Limited	▲	▲		▲	
Lifeplan Australia Building Society Limited	▲				
Mackay Permanent Building Society Limited	▲	▲			
Maitland Mutual Building Society Limited	▲	▲			
Members Equity Pty Limited	▲	▲			
Newcastle Permanent Building Society Limited	▲	▲			
Pioneer Permanent Building Society Limited		▲			
Police Association Credit Co-Operative Limited	▲				
Primary Industry Bank of Australia Limited	▲	▲		▲	
Queensland Police Credit Union Limited	▲				
Queensland Professional Credit Union Limited	▲				
Queenslanders Credit Union Limited	▲				
Rabobank, Australian Branch (Co-Operative Centrale Raiffeisen-Boerenleenbank B.A.)				▲	
Taiwan Business Bank (Sydney Branch)	▲	▲			
The International Commercial Bank of China	▲	▲		▲	
The Rock Building Society Limited		▲			
The Toronto-Dominion Bank				▲	
Victoria Teachers Credit Union Limited	▲				
WestLB (Westdeutsche Landesbank Girozentrale)				▲	
Wide Bay Capricorn Building Society Limited	▲	▲			

Corporate Information

COMPANY OFFICERS

Peter Smith	<i>Chief Executive Officer</i>
Ben Cato	<i>Financial Controller</i>
Michael Forey	<i>Director Project Management & Operations</i>
Stephen Halliday	<i>Director Member Services, Secretary to the Board</i>
Stephen Hills	<i>General Counsel, Company Secretary</i>
Phil Timms	<i>Director Corporate Affairs</i>

SOLICITORS

Mallesons Stephen Jaques, Sydney

AUDITORS

PricewaterhouseCoopers, Sydney

REGISTERED OFFICE

Level 24
25 Bligh Street
Sydney NSW 2000
Tel +61 2 9221 8944
Fax +61 2 9221 8057
www.apca.com.au

COMPANY MEETINGS

The Annual General Meeting will be held on Thursday, 17 October 2002 at 9.00am.

The Annual Meeting of APCS will be held on Wednesday, 20 November 2002 at 9.30am.

The Annual Meeting of BECS will be held on Tuesday, 12 November 2002 at 9.30am.

The Annual Meeting of CECS will be held on Thursday, 28 November 2002 at 9.30am.

The Annual Meeting of HVCS will be held on Thursday, 14 November 2002 at 9.30am.

The Annual Meeting of ACDES will be held on Wednesday, 23 October 2002 at 9.30am.

APCA PUBLICATIONS

▲ *BSB numbers in Australia*

Issued quarterly and available in either book form or on computer diskette. Can be purchased directly from Craftsman Publishing Pty Ltd (prices on application).

Craftsman Publishing Pty Ltd
125 Highbury Road, Burwood Vic 3125
Tel +61 3 9926 1200
Fax +61 3 9926 1291

Available from APCA (in printed form or as a PDF file from our website).

▲ *Design Specifications for Cheques and Deposit Forms (publication 11.5)*

▲ *MICR Magnetic Ink Character Recognition (publication 3.3)*

▲ *Payments Monitor*

A quarterly publication for members and interested parties that provides an update on payments clearing developments.

Also available:

▲ *APCA Position & Layout Gauge* (hand held device for verifying positioning of MICR encoding)

▲ *Payments Information Resources: an international research guide to sources of information on payments systems and instruments*

A reference guide that contains primary and secondary sources of information in print and electronic formats, including published literature (guidebooks, directories and journals), statistics, terminology and websites.

REGISTERS

APCA maintains registers relating to cheque printing standards to help printers, APCS members and their customers comply with the standards in publications 11.5 & 3.3.

▲ *Printer Registration Database*. This database contains organisations that print, design and MICR-encode cheques and deposit forms.

▲ *Register of Paper for MICR Encoded Documents*. Manufacturers or suppliers of paper may submit results of tests of their paper against the 'APCA paper standard' for review by APCA. Where review of test results shows compliance with the standard, the paper is included on the register.

▲ *Register of MICR Printing Systems*. APCA evaluates MICR encoding equipment to determine whether it produces encoding of an acceptable standard. This standard and the processes for evaluation are set out in the *MICR Magnetic Ink Character Recognition* publication.

