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Glossary

ACCC	The Australian Competition and Consumer Commission.	EFTPOS	Electronic Funds Transfer at Point of Sale.
ACDES	Australian Cash Distribution and Exchange System. A system for the exchange and settlement of 'wholesale' cash.	HVCS	High Value Clearing System. A system for the exchange and settlement of RTGS payments.
APCS	Australian Paper Clearing System. A system for the clearing and settlement of cheques and other paper items.	MICR	Magnetic Ink Character Recognition. The form in which the codeline is produced on cheques and other paper instruments.
BECS	Bulk Electronic Clearing System. A system for the clearing and settlement of direct entry transactions.	RITS	Reserve Bank Information and Transfer System.
BSB	A number used as a code to identify financial institutions in the clearing and exchange of items.	RTGS	Real Time Gross Settlement. Settlement arrangements in which each payment transaction is settled individually at the time of the transaction.
CECS	Consumer Electronic Clearing System. A system for the clearing and settlement of ATM and EFTPOS transactions.	SWIFT	Society for Worldwide Interbank Financial Telecommunications.
CVR	Capture Validation Rule. An algorithm used to verify information in the MICR codeline on cheques.	SWIFT PDS	SWIFT Payment Delivery System. The delivery system used to relay payments from one financial institution to another in the HVCS.

** Unless otherwise stated, reference in this report to a 'year' is the year ended 30 June.*



APCA now plays a broader role on a wider stage than it did during its formative years.

Robert N Challis Chairman

The Australian Payments Clearing Association Limited is a public company limited by guarantee. It was established in 1992 as a self-regulatory industry body.

APCA has more than 80 owner and participating members comprising banks, building societies, credit unions and other corporate bodies participating in its five payments clearing systems.

APCA develops and manages a common set of rules, procedures and standards governing key parts of payments clearing and settlement within Australia.

The Australian Payments System and APCA

The Australian economy requires a secure and efficient payments system. Payments clearing and settlement is at the heart of the payments system. APCA meets its responsibilities in payments clearing and settlement through its management of 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 RTGS payments; and
- Australian Cash Distribution and Exchange System (ACDES), covering the exchange and settlement of wholesale cash.

Membership of each system is open to corporate bodies that, as principals, clear and settle payment transactions applicable to the system concerned.

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.

Chairman's Report



Robert N Challis Chairman

APCA's core business is developing and managing rules governing clearing and settling payment transactions. A good deal of work this year was in keeping with this core business and I will refer to some of that. But APCA now plays a broader role on a wider stage than it did during its formative years. Work this year in the areas of EFTPOS access, cash audits and fraud prevention was particularly evident of that.

I reported last year that APCA had begun to tackle the construction of access rules for EFTPOS. Access rules assist new entrants to do the underlying business and take APCA outside of clearing into new territory. Good progress has been made. More remains to be done.

APCA also stepped outside of payments clearing boundaries in assisting members of ACDES with their objective of lowering cash audit costs. APCA managed a process of reviewing the strategy for auditing cash holdings at cash carrier depots. This process has every prospect of producing a material reduction in costs.

Helping to prevent payments-related fraud is a job that involves all of APCA's members individually and, among others, the Australian Bankers' Association (ABA) and law enforcement agencies. Increasingly, APCA is playing a valuable part in this. APCA participates on the forum established by Senator Ellison, Minister for Justice and Customs to combat card fraud and also on the ABA's fraud taskforce. A number of specific initiatives were undertaken by APCA. These are covered in the body of the report.

One of APCA's principal objectives when the company was formed in 1992 was to contain and control settlement risk. This objective was largely accomplished in 1997 with the establishment of the high value clearing system (HVCS) and the related introduction by the Reserve Bank the following year of RTGS. Still to be done was the implementation of failure to settle (FTS) rules to cover the portion of payments still settled on a next day deferred basis. I am pleased to say after a lengthy struggle and particular effort this year that we now have a set

of FTS rules approved by APCA and before the Reserve Bank for approval under the Payment Systems and Netting Act and Cheques Act. We expect the rules to be in place shortly.

Openness was something I talked about last year. APCA's voting membership needs to be inclusive of all payments clearers. This is reflected in the Constitution and in the CECS and ACDES rules. The rules for APCS, BECS and HVCS were constructed earlier in the piece when the needs of the day were not as they are now. Progressively all of APCA's rules are being amended to match the Constitution. This year the APCS rules were amended and the new rules become effective in early August. The BECS rules will be amended in the coming year. The amended APCS rules will entitle American Express, Travelex and Australia Post, all currently members of the APCS Advisory Council, to take up participating membership of APCS.

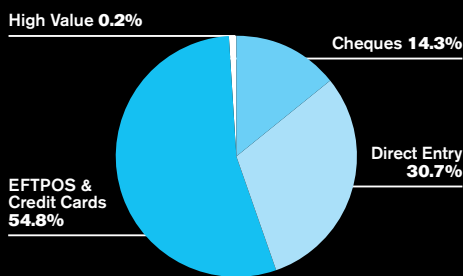
This has been a demanding year and I expect no imminent respite. At the board's invitation, Peter Smith extended his contract as CEO until the end of 2005 to give the company the advantage of continuity over the coming year. Peter and his team have again stepped up to the mark to meet the challenges the year has brought.

I would like to thank directors who served on the board during the year and those who served on APCA's committees. Advisory councils again made a significant contribution to APCA's affairs and I would like to thank the members of the councils for their valued contribution.

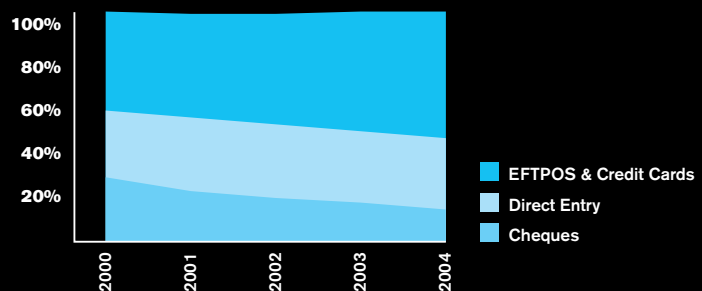
Robert N Challis
Chairman

Year in Review

Proportion of Payments by Number
(as at May 2004)



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



During the year, APCA

- Proceeded with the building of an access regime to facilitate new entry to Australia's EFTPOS payment arrangements.
- Revised and redrafted the CECS Manual to restructure its content and standardise interchange message formats.
- Reviewed and repositioned the strategy for auditing ACDES members' cash holdings at cash carrier depots.
- Oversaw the upgrade of encryption standards on all communications links carrying PIN data in the ATM and EFTPOS networks.
- Finalised new failure to settle rules and submitted them to the Reserve Bank for approval under the payments netting and cheques acts.
- Initiated a review of capture validation rules to further reduce the number of cheques failing the electronic presentment process.
- Oversaw implementation of new fallback contingency arrangements in APCS and BECS.
- Published new guidelines to assist sponsoring financial institutions and their billing organisations when considering setting up direct debit authorities over the internet.
- Produced guidelines to assist CECS members in preventing debit card fraud.
- Prepared a draft cheque fraud prevention brochure and initiated investigations into the feasibility and benefits of APCA producing an identity fraud pack.
- Opened APCS membership to all organisations that issue paper instruments cleared under the APCS rules.
- Admitted one new member to BECS, one to CECS, and three to HVCS.
- Provided for two discretionary seats on each management committee to ensure that all members can be represented.
- Introduced a new policy to engage organisations invited to nominate, but not accommodated on advisory councils.



Peter Smith CEO

As reported by the chairman, APCA's role and focus is broadening. Doors are being opened wider. While this is not new, APCA has broadened its activities and membership progressively over the years, further significant developments occurred this year. EFTPOS access, the companion CECS Manual review project, the decision by the board on ATM access, particular membership and representation changes, were all part of these developments which have been drawn out of the main body of the report to highlight their importance.

EFTPOS access

EFTPOS arrangements are, in their physical and legal topography, a linked set of proprietary networks. A number of institutions ('direct connectors') directly linked one to the other, bilaterally, form the core of the arrangements while other institutions participate through a gateway or switch.

The arrangements are universal in so far as all cards can be used in all terminals. This is a valuable feature of the arrangements and there is general support for the proposition that it must be preserved.

In this context APCA is proceeding to build an access regime that will assist new acquirers/issuers and/or switches that wish to connect directly to one or more existing direct connectors. The process is both analytical and participatory. Analysis is being done to assess what is feasible, practicable and advantageous. A participatory process through the EFTPOS Access Working Group (EAWG) tests the acceptability of particular propositions and guides the regime toward appropriately balancing the obligations and rights of access providers and access seekers. The legal firm Gilbert & Tobin and the economic consulting firm NERA are assisting APCA.

By the end of this year the elements of the access regime had been broadly agreed. Still to be agreed is the precise way connection costs will be apportioned and the governance structure of the regime. An outstanding matter also is the implications for the regime of the decision by the Australian Competition Tribunal to set aside the ACCC's determination on EFTPOS interchange pricing. At issue is how the regime deals with the complications brought about by negotiable interchange fees. This is still to be resolved.

CECS Manual review

The CECS Manual review project is covered in more detail further on, however it is important in the context of EFTPOS access. One of the perceived obstacles to new entrants was the slightly different message formats (albeit within the AS2805 protocol) used by existing participants. An important objective of this project therefore is to standardise message formats so that a new entrant will be able to deal uniformly with existing participants. While this work was principally motivated to support EFTPOS access it would have purpose as well in supporting the construction of any ATM access regime.

ATM access

APCA decided this year that it would begin the construction of an ATM access regime if regulatory approval were sought by a number of APCA's members for the replacement of interchange fees with direct charging. So far regulatory approval has not been sought. However the position APCA took again showed a willingness to step outside payments clearing boundaries to support its members and also to further the public interest.

Membership and representation

Inclusiveness and equity, in keeping with the public interest, have always guided APCA's stance on membership and representation. At the start this was expressed in terms of being inclusive of building societies, credit unions and smaller banks and in checks and balances around voting rights. It was later expressed in the establishment of advisory councils. Last year the Constitution was amended to de-institutionalise membership; to open membership to payments clearers whatever their institutional status. This year the APCS Regulations were amended to move them into line with the Constitution. In the coming year the BECS Regulations will be similarly amended.

Inclusive membership is one thing representation another. To ensure all members had representation rights around their respective management committee tables, amendments were made to provide for two discretionary seats on each management committee.

Australian Paper Clearing System

APCS governs the exchange and settlement of cheques and other paper payment instruments.

Cheque transactions fell a little further this year, having declined steadily in recent years. Around 2.2 million cheque transactions now occur each business day at a value of \$7.1 billion.

The number and value of cheque transactions include cheques deposited to accounts at financial institutions on which the cheques were drawn. Excluding these 'own items', the number and value of cheques cleared from one financial institution to another ('items exchanged') was 1.5 million and \$4.2 billion each business day. That is, cheques exchanged were respectively 70% by number and 60% by value of the total.

Opening APCS membership

Amendments were made to the APCS Regulations to bring them into line with the Constitution. The principal effect of the amendments is to open membership to all institutions (specifically Constitutional Corporations) that issue paper instruments cleared under the APCS rules. Such instruments include travellers cheques and money orders.

Preventing fraud

A brochure is being developed describing safeguards that businesses can use to help prevent cheque fraud. Among other things, the brochure covers practices for issuing and reconciling cheques, for safekeeping and mailing cheques. When produced, either in soft copy or hard copy form or both, the brochure will be available to APCA's members for distribution to their business customers.

Developing new standards

Improving the quality of cheque printing is part of APCA's armoury to combat cheque fraud. Importantly as well, good quality printing reduces the number of cheques that fail the electronic proof and capture process and which, as a result, have to be presented for value manually.

APCA sets paper standards for cheques and other MICR encoded payment instruments, for laser printing equipment suitable for printing MICR encoding, and specifies the content, position and signal strength for the MICR code line. Investigations were begun and are underway on expanding these standards to cover other aspects of cheque printing including, for example, a standard for toner adhesion.

Using images

Amendments were made to the APCS Procedures to speed up the cheque clearing process in instances where cheques are lost while in transit between collecting and paying institutions. Collecting institutions can now request presentment based on images of captured cheques rather than waiting for a paying institution to obtain a replacement cheque from the account holder.

Improving cheque processing

Following last year's achievement of a 90% reduction in the number of cheques failing the electronic proof and capture process and consequently being presented manually, efforts have continued in reducing the remaining 4000 'for-value' items exchanged each day. In the main, these items comprise cheques with incomplete MICR code lines or whose capture validation rule (CVR) is not recognised by the capturing institution.

A feasibility study showed that the most cost-effective approach for further reducing the number of 'for-value' items is to review and bring up to date the CVRs currently used by capturing institutions. This work, which is to be done by members bilaterally in the coming year, is expected to result in a further reduction in the overall number of items exchanged 'for-value'. The number of such 'for-value' items is being monitored as part of APCA's annual statistics collection.

Supplementing databases

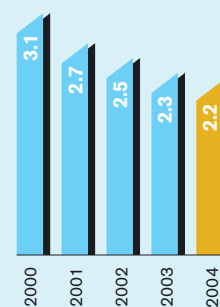
APCA is adding functionality to a number of databases that support APCS (BSB

numbers, holiday calendar, and register of cheque printing firms) in the course of migrating them to new software platforms.

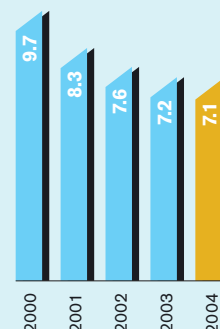
Implementing new fallback procedures

APCS members implemented new fallback procedures to protect the integrity of the paper clearing system and to assist them individually when experiencing a processing disruption. These procedures ensure that clearing continues if members' primary means of exchanging cheque files become inoperable. Members now have the ability to exchange files by an alternative electronic method, with emails being the minimum fallback requirement. Members are required to conduct bilateral testing of their fallback arrangements in November each year.

Average Number of Cheque Transactions per Day (in millions)



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



Bulk Electronic Clearing System

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

Direct entry credit and debit payments grew strongly this year. The number and value of credit payments grew by 8% and 23% respectively. The number and value of debit payments grew by 11% and 23%.

The number and value of direct entry payments include payments lodged by users for crediting or debiting accounts at the users' own financial institutions. Excluding these 'own items', the number and value of direct credit plus direct debit payments cleared from one financial institution to another ('items exchanged') was about 3.1 million and \$7.1 billion each business day. That is, items exchanged were respectively 70% by number and 30% by value of the total.

UBS AG (Australia Branch) became a participating member of BECS during the year.

Opening BECS membership

Work was initiated to review and amend the BECS Regulations to bring them into line with the changes made to the Constitution and to the APCS Regulations. The objective is to ensure that all of APCA's clearing system regulations have functional rather than institutionally-based membership criteria. It is expected that the amendments will be put in place in the coming year.

Preventing fraud

Some billing organisations (debit users) are offering the internet as the means for their customers to lodge authorities to debit their accounts; i.e., direct debit requests (DDRs). While there has been no evidence of misuse to date, APCA has taken a pre-emptive approach and developed new guidelines to alert debit users to the potential for identity fraud. The guidelines highlight the importance of satisfactorily verifying customers' identities over the internet and provide practical recommendations for securely establishing DDRs in this way. They also provide pointers as to the kinds of services where an internet provided DDR may be appropriate and the services where it would be inappropriate.

Sponsoring financial institutions are responsible for ensuring that debit users have regard to the guidelines in conducting their businesses. *Guidelines for Establishing DDRs over the Internet* is available from APCA's website.

Mitigating settlement risk

Direct credit and debit files are exchanged between BECS members each business day. Settlement between Tier 1 members for the value of these files occurs on a multilateral net basis at 9.00am on the next business day. In the unlikely event of a member being unable to settle, those owed settlement

funds would be at risk of loss if they had posted payments drawn on the defaulting member to their customers' accounts.

A project was begun and is on foot to consider possible measures to mitigate this risk; to supplement the reduction in risk that the new failure to settle rules will bring.

Among a number of options, one is to introduce same day settlement, either at the end of the day or at set times during the day. This would largely eliminate risk by ensuring the receipt of settlement funds prior to posting to customers' accounts. This 'same-day' settlement option is similar to the approach the Canadian Payments Association is taking for its direct entry settlement. All identified options and their implications, including treasury implications, are under consideration by BECS members. A good deal of work still has to be done before any decisions are made as to which if any of the options will be implemented.

Improving BUDS

APCA is adding functionality to the BECS User ID Database System (BUDS), which holds details of all organisations that are accredited to use direct entry to make or receive payments. Members were surveyed to identify their requirements and specifications for the new system were developed. When built



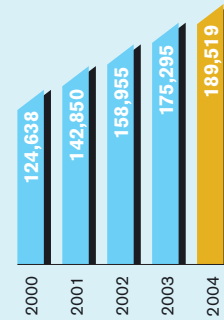
a key feature of the system will be an internet-based interface that will allow members to view and download all or parts of the database. Because of this, members will no longer need to maintain in-house versions of the database. In turn, this will save them time and cost and ensure that they have available up-to-date and accurate data. The building and implementation of the new system is scheduled for the coming year.

Implementing new fallback procedures

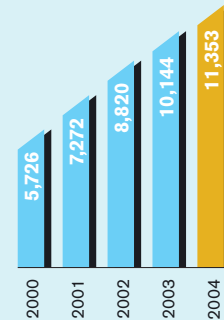
As in APCS, new fallback procedures were implemented in BECS to protect the integrity of the system and to assist members when they are experiencing a processing disruption. These procedures ensure that clearing continues if members' primary means of exchanging direct entry files become inoperable. Members now have the ability to exchange files by an alternative electronic method, with emails being the minimum fallback requirement. Members are required to conduct bilateral testing of their fallback arrangements in November each year.

Direct entry credit and debit payments grew strongly this year. The number and value of credit payments grew by 8% and 23% respectively. The number and value of debit payments grew by 11% and 23%.

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



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



Consumer Electronic Clearing System

CECS governs the exchange of ATM and EFTPOS transactions.

Allowing for a statistical tolerance, the number and value of ATM withdrawals has remained roughly consistent over the last year whereas EFTPOS transactions grew strongly in number and value. ATM withdrawals averaged \$172 and EFTPOS transactions just under \$60.

The number of EFTPOS terminals at end June 2004 was 465,754 compared with 433,640 the year before. Over the same period ATM terminals rose to 21,550 from a revised 20,339.

CreditLink Services Ltd became a member of CECS in June 2004.

Reauthorising CECS

The Australian Competition & Consumer Commission (ACCC) granted interim authorisation for CECS following APCA's application last year for the revocation of the existing authorisation and the substitution of a new authorisation. The CECS Regulations and Manual result in significant public benefit by underpinning the integrity and efficiency of EFTPOS and ATM interchanges. APCA remains confident of receiving authorisation.

Amending the Manual

Running by the side of APCA's work to build an **EFTPOS access** regime (see page 4), and integral to its finalisation, has been a project to review

and amend the CECS Manual. The CECS Manual is a technical document covering the operational, security and message standards underlying interchange between debit card acquirers and issuers. Its content is being reviewed and, where applicable, updated. It is being restructured to make it clearer as to which parts apply to different categories of participants. Importantly interchange message formats within the Manual are being standardised. Standardisation of interchange message formats is particularly important for EFTPOS access, as new entrants will be able to deal with existing participants on a common basis. It is expected that the amended Manual will be completed by the end of calendar 2004.

Improving efficiency of device evaluation

Devices used within the EFTPOS and ATM networks have to meet a number of Australian and international security standards. Central evaluation of devices brings efficiencies to CECS members and to vendors of the devices. APCA investigated the feasibility of this for the Australian marketplace and expects to be in position in the coming year to identify and subsequently accredit agencies to perform this central evaluation.

Implementing triple-DES

Triple-DES is an upgraded encryption standard to protect PINs used

by customers in ATM and EFTPOS terminals. It replaces the current single-DES encryption. Australia's implementation of triple-DES is part of a worldwide development. The project began in APCA in April 2000. The project has a number of phases. Most have been completed. Importantly, as a result of continuing work this year by CECS members, all communication links carrying PIN data are now protected at the higher encryption standard.

Remaining to be done are the last two phases of the project which are to upgrade encryption standards on all ATM and EFTPOS terminals. Completion of this work is targeted for December 2005 and, when finished, will bring the whole of the ATM and EFTPOS networks from end-to-end to the new required standard.

Preventing fraud

New guidelines to assist members in preventing debit card fraud were developed based on the best practices currently employed. The guidelines, which are made available to all CECS members, provide advice across a number of areas, including good practices for card issuance and for safeguarding the security of PINs and for making cardholders and retail merchants aware of the risks of fraud.



High Value Clearing System

HVCS governs and encompasses the exchange of SWIFT PDS payments settled on an RTGS basis.

HVCS payments again grew over the year. The number of payments within HVCS increased by almost 12%, to just under 5 million in the twelve months to end June. The value of HVCS payments during the year was close to \$24,100 billion an increase of about 8% over the previous year. The average value of transactions was \$4.8 million.

Three banks joined HVCS: UBS AG (Australia Branch), Societe Generale Australia Branch and State Bank of India. This brings membership of the system to forty-nine.

Migrating to SWIFTNet FIN

SWIFTNet is SWIFT's new IP-based messaging protocol for the communications of financial information and transaction data. Following SWIFT's announcement last year of a program to migrate FIN messages from X.25 to SWIFTNet, members have been focussing on installing new communications software and replacing their existing connections. Migration commenced in July 2003 and is expected to conclude by October 2004.

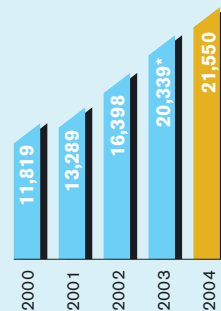
Assessing the impact of EMV chip cards

APCA completed an initial assessment of the impact of introducing EMV chip based debit cards in the current ATM/EFTPOS environment. It was confirmed that the current message formats accommodate transactions initiated by chip-based cards provided acquirers and issuers use appropriate settings. The next phase, which involves assessing the impact of full EMV functionality, has been placed on hold until such time as the uptake of chip cards gains greater momentum.

Improving fallback processes

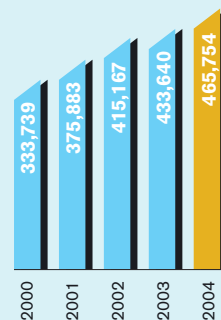
When an EFTPOS transaction cannot be authorised on-line because of some disruption, merchants revert to fallback procedures; sometimes this involves using a paper voucher, which is provided by the merchant to its acquirer. To increase efficiency, acquirers will be required to convert these vouchers to electronic messages. Issuers were required to make the necessary changes to accept these electronic messages from acquirers by March 2004. Acquirers in turn are expected to begin sending these messages in the coming year.

Number of ATM Terminals
(as at 30 June)



* Revised

Number of EFTPOS Terminals
(as at 30 June)



Settlement Risk

Most of the settlement risk in Australia's payment system was eliminated by the implementation of real time gross settlement (RTGS) in 1998. Nevertheless transactions between APCA's members arising out of paper-based (mainly cheques), direct entry and consumer electronic payments still result in substantial value being settled next day.

This deferred settlement carries with it settlement risk. APCA has been working on failure to settle (FTS) rules for some considerable time to address this risk. A number of options were explored before a satisfactory solution was identified.

The FTS rules were finalised this year and have been submitted to the Reserve Bank for approvals under the Payment Systems and Netting (PS&N) Act and the Cheques Act. The new rules will come into effect once approved by the Reserve Bank.

When in place the FTS rules, in conjunction with the PS&N Act, will protect the netting of settlement positions among APCA's members and will, with the support of the Cheques Act, result in the deemed dishonour of unsettled cheques drawn on a defaulting (ie. failed) institution. The rules will result in a defaulting institution being taken out of the multilateral settlement. The multilateral settlement will be recast and settled. This will allow the day to begin. Survivors will deal separately and bilaterally with the defaulter, with the benefits of deemed dishonour and the ability to net bilateral positions across clearing systems.

The twin objectives of the new rules are to allow the payment system to resume operating effectively after an FTS event and, so far as possible, to prevent contagion by protecting survivors' positions.

Australian Cash Distribution and Exchange System

ACDES governs the exchange and distribution of wholesale cash among ACDES members.

More informative reporting

External auditors engaged by APCA on behalf of ACDES members check cash holdings and review the operations of cash carriers providing services to ACDES members. Additional reporting was developed and put in place, in consultation with the auditors, to provide information on recurring issues to assist members in identifying the causes of any systemic problems and in monitoring their resolution.

More cost effective audit arrangements

Under a Deed between ACDES members and the Reserve Bank, an external auditor or auditors review cash holdings and related operating procedures in carrier depots on a continuing basis. Because the current engagement with the auditors is subject to review in November 2004, ACDES members initiated a project to review the audit strategy and audit arrangements with the objectives of meeting stringent risk management criteria while achieving cost savings. As part of the project, tenders were issued for audit services. It is expected that the revised audit arrangements will meet the objectives of the project.

Reviewing coin holdings

Coin is costly to store and move relative to its value. Consideration was given to ways that the allocation of coin across carrier depots might be improved to reduce holding and distribution costs. One option was to coordinate a 'one-off' redistribution of coin so that each depot could achieve an optimum coin holding. An analysis of the data on current coin holdings found that there would be little benefit in proceeding along this path. Instead it was determined that members would work with each other on a day-to-day basis to manage down the problem.

New contingency arrangements

ACDES members routinely arrange for transfers of cash between each other. Standardised forms are used to notify each other of one-off and standing orders.

Members rely on each other to be able to receive and process orders completely and on time. Other members need to know if a particular member, because of some internal event, is unable to meet this requirement.

To cater for this circumstance a standard disruptive event advice was agreed and guidelines and rule changes for inclusion in the ACDES rules were drafted.

When these arrangements are in place in the coming year, it is expected that all members will be in a better position to handle disruptive events.

Additional reporting was developed and put in place, in consultation with the auditors, to provide information on recurring issues to assist members in identifying the causes of any systemic problems and in monitoring their resolution.

Industry and Community

Submission

APCA's CEO provided statements and evidence to the Australian Competition Tribunal in March and April 2004 in the course of the Tribunal hearing an appeal to a decision made by the ACCC on EFTPOS interchange fees. The purpose of the statements and evidence was to provide the Tribunal with factual information about APCA and the work it was doing, particularly work on EFTPOS access.

Countering payments fraud

APCA participates in industry-wide efforts to counter payments fraud through the Australian Bankers' Association (ABA) Fraud Taskforce and through the industry forum established by Senator Chris Ellison, Minister for Justice & Customs.

An information sharing link was also established between representatives of APCA's fraud committee and representatives of its counterpart committee from the Association for Payment Clearing Services (APACS) in the UK.

APCA provides its cheque and debit card fraud data to the Australian Federal Police and the Australian Crime Commission. Contact is maintained with representatives from the card schemes (Visa, MasterCard and Bankcard) through their participation on APCA's fraud committee.

APCA's fraud committee monitors fraud trends, identifies areas of risk and, as applicable, develops measures to counter fraud within APCA's five clearing systems. Work this year on three separate measures to counter fraud in the areas of cheques, direct entry and debit cards is covered in the APACS, BECS and CECS operations sections of this report.

A fraud committee initiative that cuts across all clearing systems is the investigation of APCA producing an identity fraud pack. Primarily financial institutions' staff would use the pack when opening accounts. It would contain descriptions and accurate depictions of identification documents such as birth certificates, passports, drivers' licences and citizen certificates. Included also would be guidelines covering procedures for verifying particular documents and procedures to follow if documents appeared suspect. So far the investigation has focussed on the content of the pack. The next step will be to assess the benefits, costs and feasibility of publishing and maintaining the proposed pack. Whether APCA goes ahead with its production will depend on the results of this assessment.

Payments system resilience

Following last year's preliminary investigations into the resilience of members' payments operations, APCA has been keeping abreast of the industry's preparedness in the event of a major disruption to services. APCA is represented on the banking and finance group operating within the federal government's 'Trusted

Information Sharing Network for Critical Infrastructure Protection'. This group's focus is on identifying critical functions within the banking and finance area and on sharing information with other industry groups to better understand interdependencies.

APCA also participates in the financial industry's 'Allfinance' forum which is developing score cards for business continuity planning, disaster recovery planning and crises management.

Representing the industry

APCA participates in a number of Standards Australia and ISO working groups and committees developing technical and security standards for financial transactions.

- 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 Committee IT/5/3, developing standards for message formats.
- 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.

Engaging stakeholders

Associate membership and advisory councils provide a means of involving a wide range of organisations in APCA. Broadly these categories of membership comprise organisations that have an interest in payments matters, but are not eligible to become participating members. While there are no limitations on the overall number of associate members, advisory councils are limited to 14-16 members. A new policy has been introduced which gives organisations invited to nominate but not accommodated on advisory councils free associate membership for one year (see page 12). Under this policy, 10 organisations became new associate members. This brings the number of associate members to 34. Briefing sessions for associate members are held twice yearly.

Informing the community

APCA informs the community through the quarterly *Payments Monitor*, the annual report and the company's website. Meetings are held with the ABA and other industry bodies to keep them abreast of payments clearing issues. APCA also participates in external conferences and other forums both in Australia and overseas.

Advisory Councils

The three advisory councils were established by APCA in 1999 in recognition of the need to take into account the views of organisations with a significant role in the clearing systems, but which do not clear and settle payments in their own right. In bringing a different perspective and providing expertise from outside APCA's participating membership, the councils strengthen the decision-making processes within APCA.

Councils' terms extended

The term of membership of advisory councils was extended from one year to two years. However, initially the term for half the membership of each council was set at one year and the other half at two years, so that in each subsequent year the term of only half the council will expire. This will allow for new members to be added each year while providing continuity with at least half the membership rolling through to the next term.

New policy introduced

Membership numbers within councils are limited to ensure that they work effectively without becoming unwieldy. As a result there are usually more organisations wishing to nominate for council membership than can be accommodated in any year. The issue of how to engage these organisations was addressed by APCA during the year.

APCA introduced a new policy, which gives organisations that are invited to nominate, but not accommodated on advisory councils, free associate membership for that year. Associate membership provides a number of benefits, including access to information through regular publications and through briefing sessions. These sessions provide an opportunity to exchange information with a wide range of stakeholders. Consequently, the policy has established a process for ensuring that potential advisory council members remain in the information loop and have a forum for providing input to APCA.

Councils' participation

The advisory councils participated in, and provided invaluable input, to a number of projects and working groups.

The APCS Advisory Council contributed to the development of mitigation strategies to counter cheque fraud. In addition to providing assistance in developing a cheque fraud prevention brochure, the Council brought industry expertise to evaluating the proposed initiatives for improving the quality of cheque printing. The Council also had representation on the working group tasked with reviewing the APCS Regulations. A major outcome of this work has been the opening of membership to include all institutions that issue paper cleared under the APCS rules.

The BECS Advisory Council identified a need to review the BECS rules in relation to the emerging practice of establishing direct debit requests over the internet. As a result, the management committee established a working group, with advisory council participation, to develop new guidelines to assist billing organisations in establishing debit authorities securely over the internet. The *Guidelines for Establishing Direct Debit Requests over the Internet* is available from APCA's website.

The CECS Advisory Council has retailer representation on the EFTPOS Access Working Group. Along with other stakeholders, their engagement has been an important component of APCA's project to build practicable and equitable access rules. The Council also has representation on the working group reviewing the CECS Manual, a separate project integral to the finalisation of the EFTPOS access project. The Council has made a number of recommendations for restructuring the Manual including improving the process for device evaluation. It also provided input to the fraud committee on development of mitigation strategies to assist in preventing debit card fraud.

In bringing a different perspective and providing expertise from outside APCA's participating membership, the councils strengthen the decision-making processes within APCA.



Barbara Lindorff Prisma Systems (Chair)

APCS Advisory Council

David Gillies
American Express

Chris Brown
Australia Post

Glenn Sutcliffe
Australian Paper

Adrian Connelly
Australian Taxation Office

Iain McAlister
Australian Transaction
Reports and Analysis Centre

Michael Israel
Carreker Corporation

Glenn Tattersall
Certegy Australia

Tony Kurtz
EDS

Robert Chesney
Lithographic Institute

Gary Donnison
Printing Industries
Association of Australia

Marlene Mills
Security Printers'
Association

Gregory King
Travelex

Alasdair Drummond
Unisys Australia

Daniel Cane
Unisys Payment Services



Christine Morris CITEC (Chair)

BECS Advisory Council

Keith Finkelde
ASFA

Mark Slater
Australian Taxation Office

Andrew McArthur
Automated Data Processing

Brian White
Cardlink Services

Rod Tweddle
Cashcard Australia

John Wadeson
Centrelink

Keith Hallett
IFSA

John Finnin
MYOB Australia

Karen English
Prisma Systems

Adrian Roche
Real Estate Technologies

Tony Nguyen
Secure eSolutions



Michael Aaron IBM (Chair)

CECS Advisory Council

Elvis Jurcevic
American Express

Melanie Hubbard
Australian Retailers
Association

David Glen
Banktech

Daniel Vorster
Caltex Australia

Brian White
Cardlink Services

Brett Thompson
Eracom

Neale Kant
First Data International

Warren Scheuber
Hypercom

Peter Wardrop
Intellect Australia

Tem Elliot
Keycorp

Bob Bradey
Mag-Tek

Wayne Jorgensen
MasterCard

Anne Henry
NCR

Brian Saville
Visa

Dhun Karai
Woolworths

Management

Management is geared to supporting the board and committees in establishing, amending and maintaining clearing system rules; to managing operations and projects; and to interacting with and informing stakeholders and the community as a whole.

As an association APCA works through committees of its members. In addition to the board, five management committees and three advisory councils, more than 30 committees, sub-committees and working groups were active and supported by management during the year.

Management at APCA is lean and has become leaner as a result of continuing attention to doing things more efficiently as APCA's role broadens. Against a backdrop of doing more, staff levels have fallen from a peak of 26 full-time positions 4 years ago to 20 full-time and 1 part-time.

Managing projects

APCA has a strong track record in managing industry projects. The methodology employed is continually reviewed to ensure it remains current and appropriate. Where there are interdependencies between a number of projects, a program steering committee is appointed to oversee the progress of projects, to address project risks and issues and to ensure a level of coordination between projects.

More than 30 projects of various kinds and sizes across all clearing systems were underway during the year. The number of permanent business project managers has been reduced from three to two to save costs while providing more flexibility to bring in on a needs basis contract resources with specific skills for particular projects.

Improving risk management

Integral to APCA's project management methodology is managing risk. A framework in accordance with AS/NZS 4360:1999 is applied to managing risks across projects and to managing internal company risks.

Following a comprehensive review of the company's internal risk management policies and procedures, a number of additional risk mitigation measures have been put in place, including an annual audit of APCA's IT procedures and systems and the development of more comprehensive business continuity plans. Particular measures have been put in place to deal with situations where either APCA's IT manager or financial controller becomes unavailable for a prolonged period.

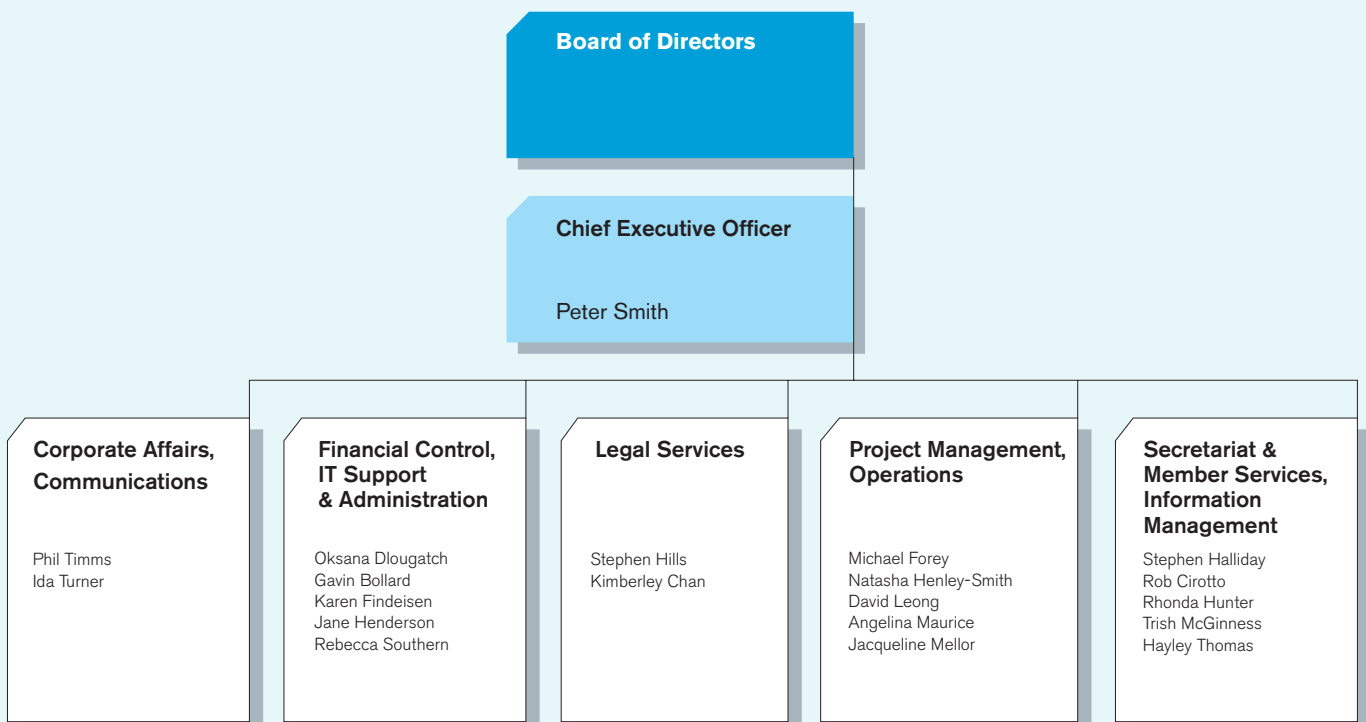
As a result of this year's IT audit, a number of improvements have been implemented to ensure the IT environment is robust, secure and maintainable. These include installation of early warning and contingency systems and new security features to further protect APCA's systems. APCA's IT policy is being reviewed to ensure it conforms to ISO/IEC 17799.

In the coming year, APCA will reassess how it should respond operationally to disruptive events affecting members clearing operations and put together appropriate plans.

Informing members

A review of communications activities found that members have a need for interactive information sessions and for education materials to assist in training operational staff about APCA's regulations and procedures. The potential for establishing a program of briefing sessions and for developing standardised training modules will be explored in the coming year.

Organisation Structure



Corporate Governance

Board of directors

The board is responsible for setting the company's strategic direction and for corporate governance. The board comprises an independent chairman appointed by directors, the chief executive officer and non-executive directors appointed by APCA owner members.

The rights of APCA's owner members to appoint directors are set out in the company's constitution. The term of each of the non-executive directors expires every second year following their appointment. Each non-executive director, other than the chairman, is a nominee director.

Chairman of the board

The chairman is a non-voting director and holds office for two years from the date of appointment. The current chairman, Mr R N Challis, has been appointed to office until 21 October 2005.

Chief Executive Officer (CEO)

The CEO is a board-appointed, non-voting, executive director. The CEO manages the company's affairs under the broad guidance of the board.

The board determines the CEO's responsibilities. The board, in consultation with the CEO, agrees the CEO's goals for each year. The CEO's performance against these goals is assessed on an annual basis by the board.

Management committees

In accordance with the company's constitution, the board establishes a management committee for each of APCA's five clearing systems. Acting under delegated authority from the board, management committees are responsible for the efficient operation and management of each clearing system. Members of a management committee are appointed for a two-year term by participating members of the clearing system concerned.

Other board committees

The board has also established two other permanent committees. These are the Finance and Audit Committee and the Remuneration Committee. The board is also empowered to establish other committees as it sees fit to assist in managing the company's affairs. At present it has established a fraud committee and a committee to deal with implementing new clearing system failure to settle rules.

Finance and Audit Committee

The Finance and Audit Committee comprises a number of non-executive directors and the CEO. The Finance and Audit Committee's primary functions are to review the company's internal financial practices and audits' results, monitor the effectiveness of the company's financial practices and controls and administrative policies, monitor various risk exposures and statutory compliance matters, and review the company's budget and monitor expenditure against it.

Remuneration Committee

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

Strategy and operational risk

The board approves annually the company's budget and operational plan, allowing it to monitor the strategic direction the company is taking and to evaluate operational risk and ensure such risk is identified and effectively managed. In addition to the annual financial audit, the company has an annual external extended audit to test adherence to accounting policies. The board reviews reports of both audits.

Legal risk

Two in-house lawyers (both company secretaries) monitor legal risks on a day-to-day basis. A compliance committee comprising senior management from the company's legal, finance and member services areas oversee compliance matters. Business practices are regularly reviewed to ensure they are in keeping with the company's legal responsibilities and with company policies.

Occupational workplace risk

The company has policies in place to ensure that it complies with workplace-related laws. They include an equal employment opportunity and discrimination policy, a harassment policy, grievance handling procedures and an occupational health and safety policy. APCA's staff are periodically educated about the importance of compliance with these policies. Directors and committee members are also alerted annually to the terms of the company's harassment policy and the need to act always in conformity with it.

Codes of conduct

All directors, management committee members and senior executive staff must comply with a Directors' and Officers' Code of Conduct. The Code was developed using a model from the Australian Institute of Company Directors. Directors review their adherence to the Code annually.

Additionally, all APCA staff are required to comply with a code of conduct which covers such matters as confidentiality, conflict of interest and standards of behaviour in business dealings.

Financial statements

The company's financial statements are published separately from its annual report. Remuneration of the chairman, the chief executive officer and senior executives, is disclosed in the notes to the financial statements.

Board of Directors

01 Mr R N Challis
02 Mr G L Bebbington
03 Ms L A Clarke

04 Mr C G Campbell
05 Mr J N Toms
06 Mr D A Ingham



There were a number of changes to the board of directors during the year. Ms Michelle Bullock became a director in July 2003, following the resignation of Dr John Veale. Ms Stella Thredgold joined the board in November 2003, replacing Mr Terry Wasmund.

The names of the directors in office as at 30 June 2004 are set out below, together with particulars of their qualifications, experience and special responsibilities.

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 Limited 1990-1994. Appointed as a director and chairman of the company in October 1999. *Chairman of the Remuneration Committee.*

Mr G L Bebbington BE(Hons)

(Non-executive director)

Head of Payments Policy, National Australia Bank Limited. Over twenty 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. He is also a director of BPAY Pty Ltd. Appointed by National Australia Bank as a director in May 2002. *Chairman, Management Committee of the Australian Cash Distribution and Exchange System.*

Mr S P Bryant

(Non-executive director)

General Manager, Sales and Service Support, St.George Bank Limited. Over twenty years experience in the banking industry including Branch Banking, Operations and Strategy. Appointed by St.George Bank Limited as a director in November 2002. *Member of Finance and Audit Committee and the Remuneration Committee.*

Ms M L Bullock BEc(Hons), MSc(Econ)

(Non-executive director)

Chief Manager, Payments Policy Department, Reserve Bank of Australia. Over nineteen years experience in Australian central banking, including economic analysis, international and payments policy. Appointed as a director in July 2003. *Member of Finance and Audit Committee and the Remuneration Committee.*

Mr C G Campbell BEc, MBus(Finance)

(Non-executive director)

Senior Manager, Industry, Westpac Banking Corporation. Over 10 years' experience in banking and economics, including payments policy, product management and related areas. Currently alternate director of BPAY Pty Ltd. Appointed by Westpac Banking Corporation as a director in April 2003. *Chairman, Management Committee of the Australian Paper Clearing System.*

Ms L A Clarke

(Non-executive director)

Regional Operations Head Asia/Pacific, Global Markets, State Street Bank and Trust Company. Over eighteen years experience in the banking industry in Australia. Appointed by the OB Owner Member Electoral Group as a director in November 2001. *Chairman, Management Committee of the High Value Clearing System. Member of the Finance and Audit Committee and the Remuneration Committee.*

07 Dr P R Smith
08 Ms M L Bullock
09 Mr P A Inglis

10 Mr S P Bryant
11 Ms S Thredgold
12 Mr B F Munro



Mr D A Ingham BEc, MBA
(Non-executive director)

General Manager Retail, Credit Union Services Corporation (Australia) Limited. Over ten years experience in the financial services industry across a number of organisations. With experience in consulting, service delivery, channel and product management and other related disciplines. Appointed by the Credit Unions Owner Member Electoral Group as a director in January 2003. *Chairman, Management Committee of the Bulk Electronic Clearing System.*

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

Head, Payments Industry Liaison, Australia and New Zealand Banking Group Limited. Over seventeen 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.*

Mr B F Munro BBus, FAIB, MFTA
Deputy Chairman
(Non-executive director)

Executive General Manager, Working Capital Services, Premium 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 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.*

Ms S Thredgold BBus (Acc), CPA
(Non-executive director)

Manager Payment Systems, Adelaide Bank Limited. Over 17 years finance & banking experience with Adelaide Bank Limited, including, payments, foreign exchange, contract management and financial accounting. Appointed by the RB Owner Member Electoral Group as a director in October 2003.

Mr J N Toms BComm
(Non-executive director)

Chief Executive Officer, Australian Settlements Limited. Over 18 years experience in areas of industry policy, particularly payments systems. Director of Mellon Nominees Limited. Appointed by the Building Societies Owner Member Electoral Group as a director in December 1992. *Chairman of the Fraud Committee.*

Membership

APCA has four categories of members: owner, participating, advisory council and associate members.

Owner members

Owner members must be constitutional corporations within the meaning of the Payment Systems and Netting Act 1998 and must be either a participant in at least one of APCA's clearing systems or an industry association representing participating members. The existing owner-member industry associations are Credit Union Services Corporation Limited and Creditlink Services Ltd which together represent most credit unions, and Australian Settlements Limited which represents all building societies.

Participating members

Participating members are institutions that participate on a day-to-day operational basis in one or more of APCA's clearing systems. Participating members are represented on the management committees of each of the clearing systems in which they participate. Participating members need not be owner members, but are encouraged to join in that capacity.

Separate participating membership exists for each clearing system, so that membership is divided into five classes based on APCA's five clearing systems. Within each of these five classes there may be different categories of participating membership, with different rights and obligations, depending on whether a member clears and settles directly or indirectly. Each clearing system has rules in place setting out members' rights and obligations, and detailing the operating procedures required in the system.

Owner and participating member representation

Participating membership gives an entitlement to owner membership. In turn, this provides an avenue for representation on APCA's board. Rights to appoint directors and management committee members (and accompanying voting entitlements) are largely determined on the basis of clearing system transaction volumes. However, the Reserve Bank has a right

of representation on the board and on all management committees (in recognition of its regulatory role in the payments system). Building societies and credit unions also have separate rights of representation at the board and on the management committees of the APCS, BECS, CECS and HVCS provided they participate in these systems (in recognition of their long standing role in providing payments services).

Advisory council members

Advisory councils are in place for APCS, BECS and CECS. Councils bring effective and efficient liaison between clearing system management committees and interested non-clearers on technical and operational matters and broaden involvement in APCA's decision-making processes.

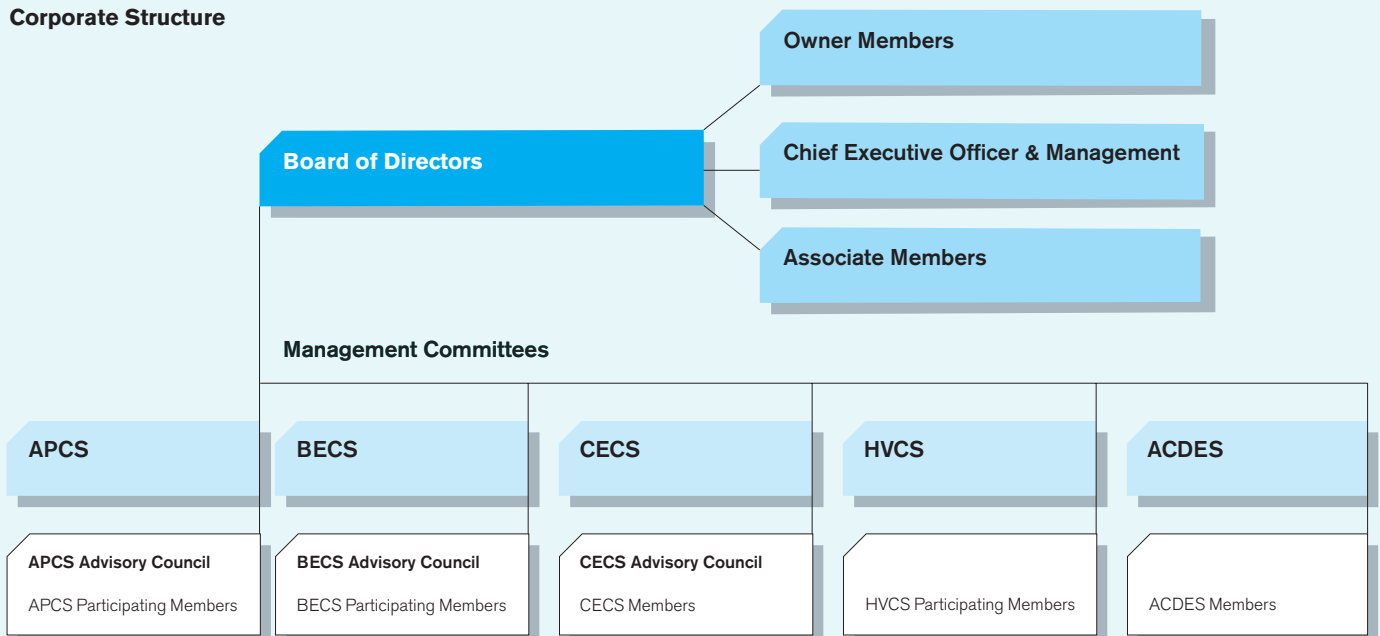
Advisory councils comprise organisations (appointed by the board for a two year term) that participate in the business of payments but are not payments clearers and therefore are not entitled to join APCA as participating members. The number of members of each advisory council is limited and the appointment of members is subject to a formal process. Each year APCA identifies a range of organisations eligible for membership and invites them to nominate for the advisory councils' upcoming terms.

Each management committee of a clearing system where an advisory council has been established 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.

Associate members

Associate members are individuals or organisations interested in payments system matters that wish to be kept informed of developments within APCA (and the Australian payments system more generally). An associate member may not be an owner member or a participating member. Associate membership must be renewed annually via payment of a nominal fee.

Corporate Structure



Owner Members & Clearing System Participating Members

APCA Members (as at 30 June 2004)	Clearing System Member					APCA Members (as at 30 June 2004)	Clearing System Member				
	APCS	BECS	CECS	HVCS	ACDES		APCS	BECS	CECS	HVCS	ACDES
ABN AMRO Bank, NV*				•		Cashcard Australia Limited			•		
Adelaide Bank Limited*	•	•	•	•		CLS Bank International				•	
AMP Bank Limited*	•	•		•		Coles Myer Ltd			•		
Arab Bank Australia Limited*	•	•		•		Credit Suisse First Boston				•	
Australia and New Zealand Banking Group Limited*	•	•	•	•	•	Dresdner BankAG				•	
Australian Settlements Limited (ASL)*	•	•	•	•		First Australian Building Society Limited	•	•			
Bank of America National Association*	•	•		•		GIO Building Society Limited		•			
Bank of China*	•	•		•		Greater Building Society Limited	•	•			
Bank of Queensland Limited*	•	•	•	•		Heritage Building Society Limited	•	•			
Bank of Western Australia Limited*	•	•	•	•	•	Home Building Society Ltd		•			
Bank One National Association*	•	•		•		HSBC Building Society (Australia) Limited	•	•			
Barclays Bank PLC*				•		Hume Building Society Limited	•	•			
Bendigo Bank Limited*	•	•	•	•		Hunter United Employees' Credit Union Limited	•				
Citibank Pty Limited*	•	•	•	•		IMB Limited	•	•			
Commonwealth Bank of Australia*	•	•	•	•	•	ING Bank N.V. (Sydney Branch)	•	•		•	
Credit Union Services Corporation (Australia) Limited (CUSCAL)*	•	•	•	•		IOOF Building Society Limited	•	•			
CreditLink Services Ltd*	•	•	†			Laiki Bank (Australia) Limited	•	•		•	
Deutsche Bank AG*	•	•		•		Lifeplan Australia Building Society Limited	•				
HSBC Bank Australia Limited*	•	•		•		Mackay Permanent Building Society Limited	•	•			
HSBC Bank plc*	•	•		•		Maitland Mutual Building Society Limited	•	•			
ING Bank (Australia) Limited*	•	•		•		Members Equity Pty Limited	•	•			
JP Morgan Chase Bank*	•	•		•		Newcastle Permanent Building Society Limited	•	•			
Macquarie Bank Limited*	•	•		•		Pioneer Permanent Building Society Limited	•	•			
Mizuho Corporate Bank Limited*	•	•		•		Police Association Credit Co-Operative Limited	•				
N.M. Rothschild & Sons (Australia) Limited*				•		Queensland Police Credit Union Limited	•				
National Australia Bank Limited*	•	•	•	•	•	Queensland Professional Credit Union Limited	•				
Oversea-Chinese Banking Corporation Limited*	•	•		•		Queenslanders Credit Union Limited	•				
Reserve Bank of Australia*	•	•		•		Rabobank Australia Limited	•	•		•	
Royal Bank of Canada*				•		Rabobank, Australian Branch (Co-Operative Centrale Raiffeisen-Boerenleenbank B.A.)				•	
St. George Bank Limited*	•	•	•	•		Societe Generale Australia Branch				•	
Standard Chartered Bank*				•		State Bank of India				•	
State Street Bank & Trust Company*	•	•		•		Taiwan Business Bank, Sydney Branch	•	•			
Suncorp-Metway Limited*	•	•	•	•	•	The International Commercial Bank of China	•	•		•	
The Bank of Tokyo-Mitsubishi Ltd. Australian Branch*	•	•		•		The Rock Building Society Limited		•			
United Overseas Bank Limited*	•	•		•		The Toronto-Dominion Bank				•	
Westpac Banking Corporation*	•	•	•	•	•	UBS AG (Australia Branch)		•		•	
* Denotes owner members						Victoria Teachers Credit Union Limited	•				
† Membership yet to become effective						WestLB AG				•	
ABS Building Society Ltd		•				Wide Bay Australia Limited	•	•			
Australian National Credit Union Limited	•	•									
B & E Ltd	•	•									
Bananacoast Community Credit Union Limited	•										
Bank of Cyprus Australia Pty Limited	•	•									
BNP Paribas				•							

Payments Statistics

	Source	2000	2001	2002	2003	2004
Number of payment transactions and ATM withdrawals						
Business day average for month of May – millions of items						
Cheques	APCA	3.1	2.7	2.5	2.3	2.2
Direct entry credits	APCA	2.3	2.7	2.7	2.9	3.2
Direct entry debits	APCA	0.9	1.1	1.2	1.3	1.5
Monthly total for May – millions of items						
ATM withdrawals	APCA	48.4	64.0	65.4	62.7(b)	63.5
EFTPOS (a)	RBA	52.0	57.5	69.4	75.1(b)	81.6
Credit cards (a)	RBA	61.9	67.8	84.0(b)	85.0(b)	93.9
Value of payment transactions and ATM withdrawals						
Business day average for month of May – \$ billions						
Cheques	APCA	9.7	8.3	7.6	7.2	7.1
Direct entry credits	APCA	6.5	9.1	10.3	11.2	13.7
Direct entry debits	APCA	5.0	7.0	8.1	8.6	10.5
HVCS transactions (c)	RBA	72.6(d)	83.2(d)	80.9(d)	85.7(d)	99.8(d)
Monthly total for May – \$ billions						
ATM withdrawals	APCA	7.3	9.4	11.0	11.1	10.9
EFTPOS (a)	RBA	3.1	3.5	4.3	3.9	4.7
Credit cards (a)	RBA	7.0	8.0	11.2	11.7	12.8
Number of accounts/cards						
Monthly total as at end of May in millions						
Customer payment accounts	APCA	27.1	32.7	28.1	29.4	32.4
Debit cards	APCA	17.8	19.4	19.7	20.6	19.6
Credit & multifunction cards	APCA	13.2	15.6	16.7	18.5	21.8
Number of ATM and EFTPOS terminals						
As at end of June						
ATMs (e)	APCA	11,819	13,289	16,398	20,339(b)	21,550
EFTPOS (e)	APCA	333,739	375,883	415,167	433,640	465,754

Notes

(a) Figures for 2004 and those indicated as 'revised' were taken from figures published in the July 2004 issue of the Reserve Bank of Australia *Bulletin* Table C1 and Table C2 (EFTPOS purchases). Other figures are from earlier issues of the *Bulletin* but may not be comparable with those published in July 2004 or earlier. See Explanatory Notes in Reserve Bank *Bulletin* for definitions and coverage.

(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 RITS transactions that are not captured in these figures.

(d) From Reserve Bank figures showing Real-time Gross Settlement Statistics each month, (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) Figures for 2004 and 2003 include limited service terminals and *white label* terminals. EFTPOS terminals prior to 2003 have been adjusted to include limited service terminals and *white label* terminals. ATM terminals prior to 2003 have been adjusted to include limited service terminals only, so there is a break in the ATM figures between 2002 and 2003.

Corporate Information

Company Officers

Peter Smith	Chief Executive Officer
Oksana Dlougatch	Financial Controller
Michael Forey	Director Project Management & Operations
Stephen Halliday	Director Member Services, Secretary to the Board
Stephen Hills	General Counsel, Company Secretary
Phil Timms	Director Corporate Affairs

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, 21 October 2004 at 9.30am.
- The Annual Meeting of APCS will be held on Wednesday, 24 November 2004 at 9.30am.
- The Annual Meeting of BECS will be held on Tuesday, 9 November 2004 at 9.30am.
- The Annual Meeting of CECS will be held on Thursday, 18 November 2004 at 9.30am.
- The Annual Meeting of HVCS will be held on Thursday, 11 November 2004 at 9.30am.
- The Annual Meeting of ACDES will be held on Wednesday, 17 November 2004 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's website:

- Design Specifications for Cheques and Deposit Forms (Publication 11.5.1)
- Guidelines for Establishing DDRs over the Internet
- Guidelines for Personalising Cheques
- Guidelines for MICR Encoding Cheques
- Guidelines for Paper Used for MICR Encoding
- 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)

Registers

APCA maintains registers relating to cheque printing standards to help printers, APCS members and their customers comply with the standards in publications 11.5.1 & 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.



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