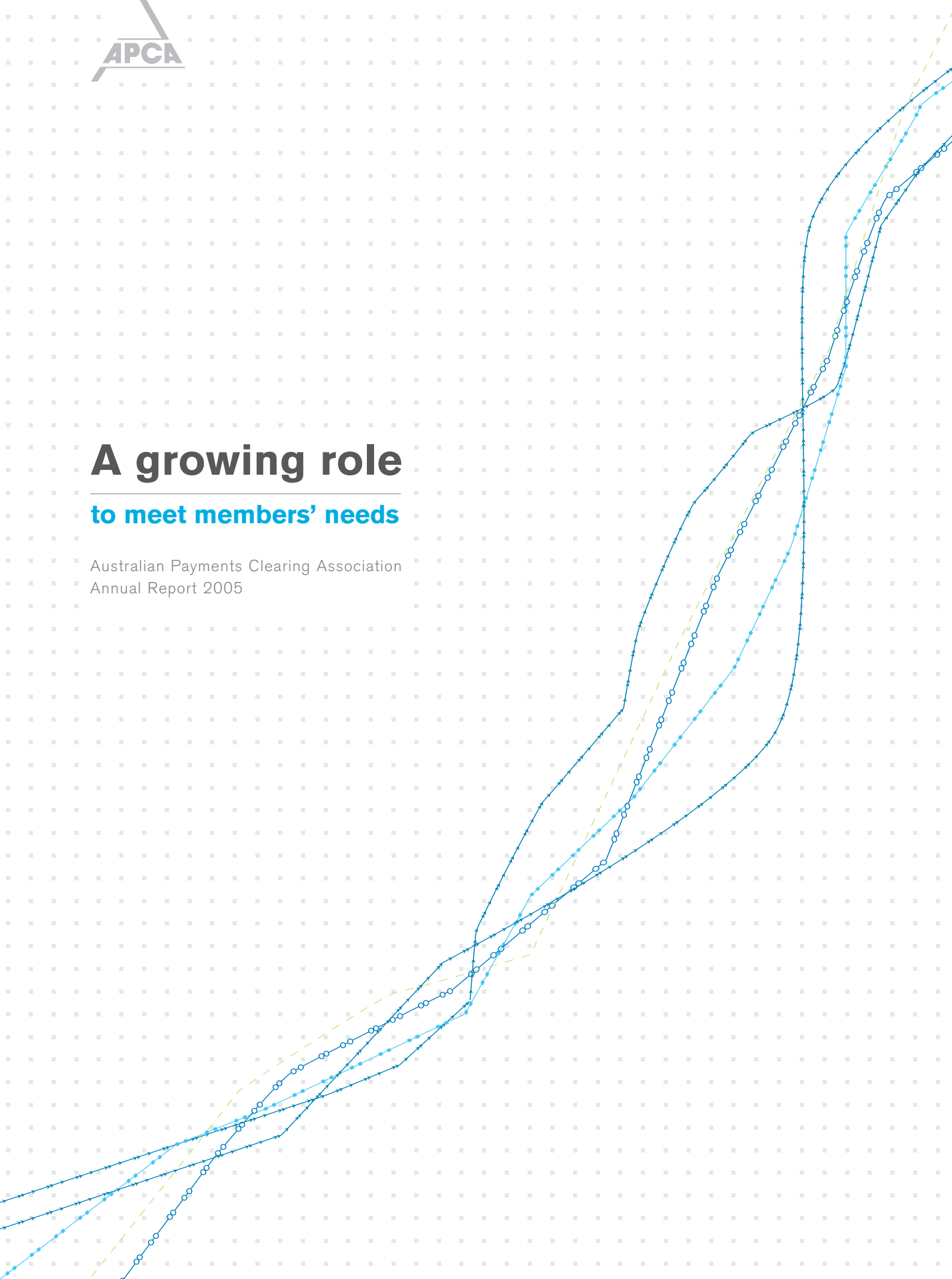




A growing role

to meet members' needs

Australian Payments Clearing Association
Annual Report 2005



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Glossary

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ACCC Australian Competition and Consumer Commission.

ACDES Australian Cash Distribution and Exchange System. A system for the exchange and settlement of 'wholesale' cash.

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

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

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.

EFTPOS Electronic Funds Transfer at Point of Sale.

EMV (from Europay, MasterCard and Visa) a specification for interaction between chip cards and ATM and EFTPOS terminals.

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.

RITS Reserve Bank Information and Transfer System.

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

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.

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

Introducing APCA

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

The Australian Payments Clearing Association Limited is a public company limited by guarantee.

Payments clearing and settlement underpins the payments system. APCA was established in 1992 as a self-regulatory industry body to set, develop and manage regulations, procedures and standards governing payments clearing and settlement within Australia.

APCA's membership is open and inclusive. Currently APCA has some 80 members comprising banks, building societies, credit unions and other companies participating in its payments clearing systems.

APCA manages five payments clearing systems:

- Australian Paper Clearing System (APCS), covering cheque and other paper-based payments;
- 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 SWIFT/PDS payments; and
- Australian Cash Distribution and Exchange System (ACDES), covering wholesale cash transactions.

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



APCA's work this year, as in recent years, has involved attending to our core business but as well attending to what I might call extra curricula business.

In terms of core business I would like to mention just some of a number of pieces of work that have contributed to the efficiency and integrity of clearing rules and others that have cemented APCA's open and inclusive membership.

Further progress was made in upgrading the security of the EFTPOS and ATM networks through the introduction of a higher level of PIN encryption. New failure to settle rules were implemented following their approval by the Reserve Bank under applicable legislation. Additionally, guidelines were developed to assist APCA's members in the event of a member failing to settle.

The updated and revised CECS Manual came into effect. This introduces a standard message format to assist new entrants and puts the evaluation of devices used in the EFTPOS and ATM networks on a surer footing.

As I foreshadowed in last year's Report, membership of APCS and BECS was opened, in line with the company's Constitution, to all organisations which as principals conduct the business to which the relevant clearing system rules apply.

In terms of the activities that I describe as extra curricula, because they lie

outside of APCA's normal remit, APCA made further good progress in developing an EFTPOS access regime. We assisted ACDES members in making representations to the Reserve Bank in the area of wholesale cash management. Our involvement in fraud prevention continued to grow. On quite another level, APCA embarked on an educational program for its members.

This kind of work, and there are other examples, demonstrates how APCA can add value to its members, outside of its payments clearing remit, without overstepping into their proprietary and commercial territory.

A large number of projects are on foot. These are covered in the body of the Report. But to mention some new ones which have the potential to significantly improve clearing arrangements, we intend investigating the potential selected use of image replacements of cheques to see whether this might produce quicker clearance of some cheques deposited in remote areas. We also intend investigating the potential for bulk commercial payments in BECS and the communication architecture in CECS.

I would like to thank directors who served on the board during the year and those who served on APCA's committees, and all of APCA's staff for their application in meeting the challenges that working for APCA brings. I would also like to thank

members of advisory councils, who again have added significant value to APCA's deliberations. With the councils' support, we have decided that it is timely to review the way councils work within APCA. I anticipate that this will lead to even better outcomes in the years ahead.

I will have completed six years as chairman in October 2005 when my current term expires and have agreed to accept an invitation by the board to extend my term for a further two years.

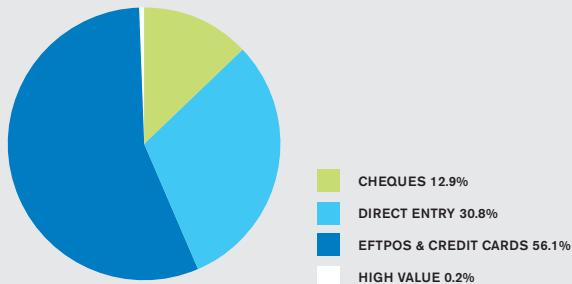
Finally, APCA's chief executive officer and executive director Peter Smith is retiring from APCA at the end of 2005. Peter has been with APCA from the start in 1992. He has led APCA with rare skill and dedication over close to fourteen years. He is leaving the company in very good shape. On behalf of the board I would like to thank him for a job well done and wish him well in his life after APCA.

A handwritten signature in black ink, which appears to read 'R Challis'. The signature is fluid and cursive.

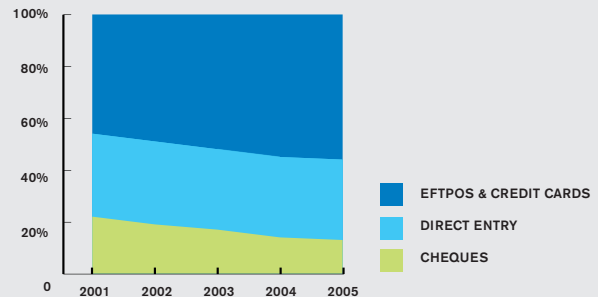
Robert N Challis
Chairman

Highlights

Proportion of Payments by Number (as at May 2005)



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



- Received authorisation from the ACCC for CECS and for specific provisions of the APCS and BECS Regulations.
- Opened BECS membership and admitted the first non-financial institution organisation as a participating member under the new membership rules.
- Built a draft EFTPOS access code.
- Implemented new failure to settle (FTS) rules and developed new FTS Guidelines.
- Launched the revised CECS Manual and its accompanying publication – Guidelines for CECS Members.
- Implemented new arrangements for evaluating and approving devices used in the ATM and EFTPOS networks.
- Managed a consultancy commissioned to examine wholesale cash management.
- Published a cheque fraud prevention brochure and initiated production of an identity document reference guide.
- Oversaw the progressive upgrade of encryption standards on all ATM and EFTPOS terminals.
- Developed a new BECS User ID database system.
- Introduced new measures to improve cheque quality and security.
- Organised an industry workshop to consider the potential implementation of EMV in Australia.
- Played a leading role in forming a new international forum of peak national payments organisations.
- Instigated a member education program to assist members in training operational staff about APCA's regulations and procedures.

Growing Role



Since its establishment in 1992 APCA has developed and matured.

Establishing clearing systems and taking over responsibility for payments clearing arrangements occupied the first four years or so.

In its next phase APCA took responsibility for managing projects and increasingly for contingency planning, certification and accreditation. The projects APCA managed had their final expression in changes to APCA's clearing rules. These kinds of projects remain core business for APCA. But increasingly, in the current phase of APCA's operations, APCA is stepping outside of its core business and taking on work that is, to use the chairman's words, extra curricula. APCA is leveraging off its administrative structure and skill and experience base to add value.

A number of pieces of work this year, covered briefly here, illustrate this current phase of APCA's development. It is important to note that they all carry APCA beyond payments clearing without intruding into areas that are the commercial preserve of its members.

APCA continued its development of an EFTPOS access regime. Access to the underlying payments business to which clearing rules apply has heretofore been outside of APCA's role. Partly because of this, it was decided that it would be preferable in implementing the regime to establish a separate access company

to house the conditions underlying access, ie, the access code. By the end of the year we were at the stage of refining the code in consultation with the Reserve Bank.

APCA is playing a growing role in the area of fraud prevention. In a sense all of this activity is part of APCA operating outside its core business. But this was underscored by two projects this year. One was the production of a cheque fraud prevention brochure. The other is a project to produce a guide to Australian identity documents to assist APCA's members when they are processing the opening of accounts. The collection of a broader range of fraud statistics will be one of the developments next year that will keep APCA to the forefront of combating payments related fraud.

Another and quite different project was in the area of wholesale cash management. In this case ACDES members were assisted by APCA to develop an objective view of the rationale for the payment of compensation for managing wholesale cash stocks and to assess alternative approaches to improving the quality of notes. This project goes to the relationship between the Reserve Bank and ACDES members individually and lies outside of the ACDES rules. However it was cost effective and efficient for APCA to manage the work.

As noted by the chairman, APCA is taking on a new role of providing educational services. Initially, two

prototype educational units are being produced as part of a larger program to provide ongoing educational support to APCA's members on the various clearing systems' technical and operational procedures.

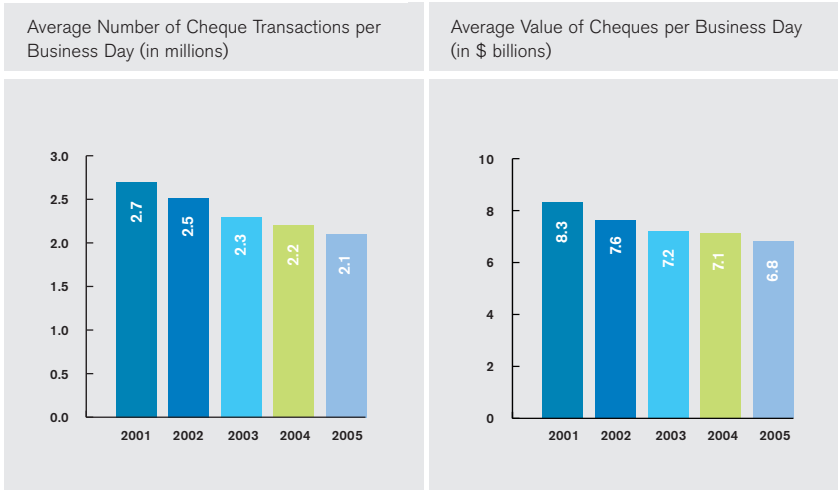
Growth for growth's sake is not sensible. But well-founded growth is valuable in itself and energising for an organisation. APCA's past growth has been well-founded and its future growth seems assured based on the experience of recent years. This experience has shown that APCA's members have a valuable resource that can be used beneficially and cost-effectively on tasks lying outside of payments clearing as well as on core payments clearing matters.

As noted by the chairman, I will be retiring from my position at APCA at the end of 2005. I would like to thank the chairman and the current board, all past directors and members of APCA's staff for their support and encouragement over the years. APCA has a record of achievement and a significant role to play in the future development of Australia's payments systems. I leave the company and its new CEO with my best wishes.

Peter Smith
Chief Executive Officer

Operations

Australian Paper Clearing System



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

The value and volume of cheque transactions continued their decline in absolute and relative terms this year. But at the same time, the number of cheque transactions per business day remains substantial at 2.1 million.

Re-authorisation of APCS

Amendments were put in place to the APCS Regulations opening membership to all organisations that issue or collect paper instruments cleared through the system.

Having assessed the trade practice implications of the amended Regulations, it was found that only the suspension and termination provisions of the APCS Regulations required authorisation by the ACCC. Accordingly, APCA submitted applications to the ACCC seeking re-authorisation for only those provisions. The ACCC granted authorisation for a further period of five years, effective from 10 February 2005.

Investigating changes to Cheques Act

APCA investigated whether changes to the Cheques Act should be sought to formalise use of the 'Account Payee Only' crossing to create a non-transferable cheque, as was recently done in the United Kingdom and New Zealand. It was concluded that the

drivers for change in those countries (being primarily a high incidence of third party cheque fraud) were not present to the same degree in Australia and that changes to the Cheques Act would not be pursued at this time.

Improving cheque security

Cheques incorporate security features to protect them against fraudulent alteration. An ink security feature was introduced as an additional security requirement on cheques supplied by financial institutions to their customers to increase the level of protection on those cheques in line with financial institution cheques. All cheques must now incorporate an ink security feature (eg chemical sensitive ink).

Reinforcing standards

APCA sets paper standards for cheques and other MICR encoded payment instruments and maintains a register of paper that complies with these standards. Amendments have been made to the *Design Specifications for Cheques and Deposit Forms* to make it clear that financial institutions need to ensure that paper used for cheques meets the standard, whether or not it is listed on the register.

Amendments to Procedures

Amendments were made to the APCS Procedures to ensure photocopies of cheques are not exchanged between APCS members in the normal course.

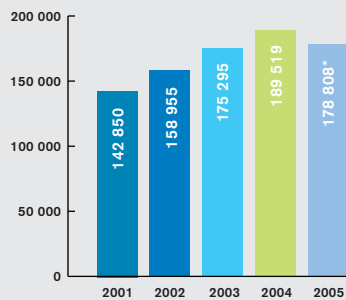
These items have been added to the list of 'Unacceptable Items' which includes promissory notes, foreign currency cheques and dishonoured cheques.

New databases

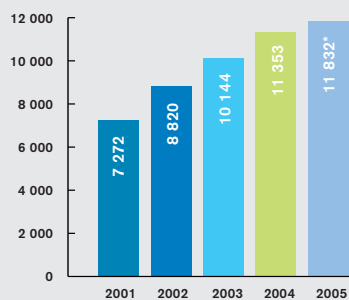
APCA completed the migration of databases supporting APCS (BSB numbers, the holiday calendar and the ID register of cheque printing firms) to a new system on a more robust software platform. The new system provides members with more reliable information.

Bulk Electronic Clearing System

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



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



* Affected by data cleansing (see text)

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

The number and value of credit and debit payments continued its strong growth of recent years, as correspondingly did the number of organisations ('BECS Users') authorised to use the direct entry system (once account is taken of the data cleansing referred to below). This year the number of credit and debit payments per business day was 3.4 and 1.6 million respectively. At the end of June 2005 there were almost 179,000 credit Users and 12,000 debit Users.

Opening BECS membership

As foreshadowed in last year's Report, amendments were made to the BECS Regulations to bring membership rules into line with the changes made to the Constitution and to the APCS Regulations. The amendments have 'de-institutionalised' membership by replacing institutionally-based membership criteria with functional criteria. This opened membership to all organisations that 'send' or 'receive' payments as defined in the BECS Regulations. MoneySwitch Limited was the first beneficiary of this change. MoneySwitch was admitted to tier1 membership, effective 25 July 2005. Also during the year, the Police Department Employees' Credit Union Limited was admitted to tier2 membership.

Authorisation of BECS Regulations

In assessing the trade practices implications of the amended BECS Regulations, it was found, as with the APCS Regulations, that only those provisions dealing with suspension and termination required authorisation by the ACCC. An application for authorisation was duly made and granted by the ACCC for a further period of five years, effective from 14 July 2005.

New BUDS

The project initiated last year to build a new and improved BECS User ID Database System (BUDS) was close to completion at the end of this year. BUDS holds details of all BECS Users.

The new BUDS database is a central database housed on APCA's extranet, as distinct from the database it is replacing which is a distributed database housed by BECS members. The new database will save time and expense for members and will also ensure they have access to up-to-date and reliable data.

Testing of the new BUDS commenced in March 2005. To assist members with the transition to the new system, APCA held training sessions in Perth, Adelaide, Melbourne, Brisbane and Sydney. More than 90 staff of BECS members attended these sessions. In preparation for the implementation of the new database, members cleansed existing data.

This process resulted in the deletion of some 33,000 inactive BECS Users from the database. The new BUDS database is expected to go live in August 2005.

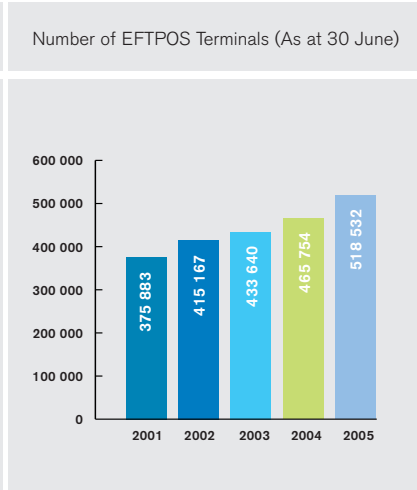
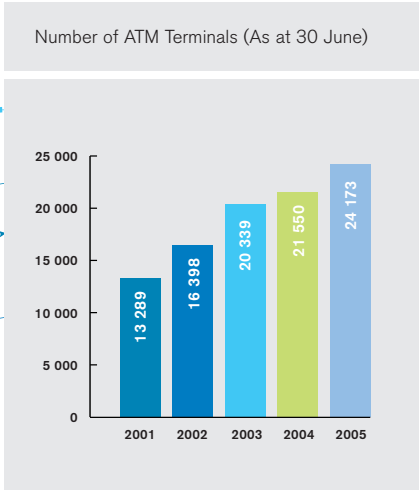
Mitigating settlement risk

A number of possible measures, some based around same-day settlement, were considered for mitigating the risk that deferred (next day) net settlement brings to BECS tier1 participating members.

As a first step, the total number of official exchange times on each day has been increased from three to five and exchange summary files accompanying these exchanges have been standardised. BECS members will start sending and receiving direct entry files (other than Government files) at the two new exchange times (10.00am and 4.00pm) on 28 October 2005.

Any further steps in developing a solution for mitigating settlement risk will be informed by analysing members' within day net settlement positions. APCA intends to gather this data in the coming year.

Consumer Electronic Clearing System



CECS governs the exchange and settlement of EFTPOS and ATM transactions.

On international measures, Australia is well serviced by EFTPOS and ATM terminals. On a per capita basis Australia has more EFTPOS terminals than has any of the G10 nations and has more ATM terminals than has all but two of the G10 nations. In part reflecting this, EFTPOS and ATM transactions grew strongly again this year. On a per day basis, the number of EFTPOS transactions averaged 3.2 million and ATM withdrawals 2.1 million.

Re-authorisation of CECS

Having granted interim authorisation for CECS last year, the ACCC issued its final determination on APCA's applications for the revocation of the existing authorisation and substitution of a new authorisation. The ACCC granted authorisation for CECS for a further period of five years, effective from 3 November 2004.

EFTPOS access

The project to build the EFTPOS access regime began in April 2003. A working group was established comprising all CECS members and representatives of the retail industry to carry the project forward. This process resulted in the development of a draft access code in November 2004. The code was then reviewed internally by

each of the institutions participating on the working group over the period from December 2004 to March 2005. In substance the draft code received good support.

Since March the project to build the regime progressed to a new phase of engagement between access providers, the eight institutions that would need to sign up to the code, and the Reserve Bank. Agreement was reached on all substantive matters in June 2005. The objectives in the first half of next year are first to finalise the drafting of the access code taking into account the matters agreed between access providers and the Reserve Bank and comments that came out of the internal reviews referred to above. Second, the access company will be established and, in turn, implement the code. The target is to complete the project by the end of December 2005.

New CECS Manual (& Guidelines)

An extensively revised and improved CECS Manual came into effect on 2 June 2005. The CECS Manual covers the operational, security and message standards underlying interchange between CECS members. A key objective was to update its content and make it representative of current best practice standards for the safe and efficient technical operation of the clearing system. As part of this process, a number of changes and improvements

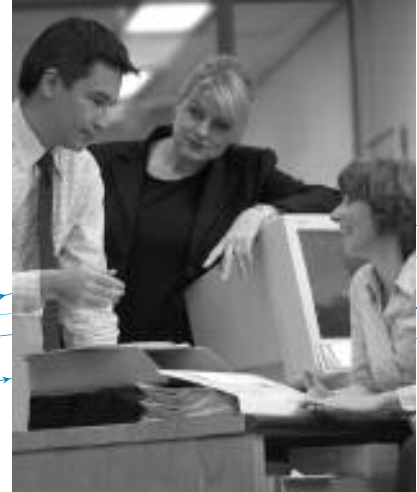
were also made to assist new entrants to the EFTPOS and ATM networks.

A companion publication – Guidelines for CECS Members – accompanied the release of the revised CECS Manual. The purpose of this publication is to provide CECS members and potential new entrants with practical recommendations and best practices to supplement the requirements specified in the Manual.

New arrangements for device evaluations

All devices must satisfy security standards before they can be used within the ATM and EFTPOS networks. New arrangements for device evaluations were developed and incorporated into the revised CECS Manual. Under the new arrangements, test laboratories must be accredited by APCA as 'Approved Evaluation Facilities' before they can carry out device evaluations and approvals. All devices are evaluated against new security standards, which have been brought into alignment with current national and international standards. Devices which meet these standards are issued a time-bound approval and listed on APCA's website. These new arrangements bring efficiencies and cost-savings to acquirers, suppliers and prospective new entrants.

Consumer Electronic
Clearing System continued...



Implementing triple-DES

Triple-DES is an upgraded encryption standard to protect PINs used by customers in ATM and EFTPOS terminals. Last year's Report outlined CECS members' efforts in replacing the current single-DES encryption with triple-DES. This work continued during the year. The target date for completion is end December 2005. Slippage is likely to occur given the magnitude of the task. As a prudent precautionary measure therefore, APCA is also considering contingency measures to protect the ATM and EFTPOS networks in the very unlikely event that the current single-DES is attacked and broken before all members are triple-DES compliant. These contingency measures would provide an industry approach to counteracting any fraudulent activity that might result from such an attack.

New fallback processes

The new rules established last year, to improve electronic fallback processes and increase efficiency, came into effect on 2 June 2005. Issuers and acquirers are now required to exchange offline EFTPOS transactions by electronic message, rather than by paper fallback vouchers.

New direct clearer settlement right

A new direct clearing and settlement right has been introduced into CECS. It applies to those members with 0.5% or more of either ATM or EFTPOS transaction activity. A direct clearer settlement member with more than the required 0.5% of activity must clear and settle transactions directly with any other member which also satisfies the activity threshold, if requested to do so.

Timely recognition of BIN and AIN changes

Amendments were made to the CECS Regulations to ensure timely recognition by CECS members of the introduction of new institutional identifiers for issuers (BINs) and/or for acquirers (AINs). Equally the amendments make provision for changes in the routing of BINs and AINs and for their deletion.

Network availability in peak periods

It is essential that the ATM and EFTPOS networks continue to operate efficiently during the peak Christmas and Easter periods. To assist in meeting this requirement, APCA established an 'open-call' facility to allow members to exchange information on capacity issues over these peak periods. This was a successful exercise and the facility will be maintained in future years.

EFTPOS credits

Currently the only type of EFTPOS credit transaction covered by the CECS rules is the refund of monies to a consumer's debit card account associated with previous purchases. APCA has initiated a project to consider the implications of expanding the category of permissible transactions to include certain specified categories of credits. A number of options have been developed. Further work will be undertaken next year to test the feasibility of these options and assess their potential benefits and costs.

New contingency procedures

New contingency procedures have been developed to assist issuers and acquirers in the event that a major disruption impacts the bilateral EFTPOS interchange links between them. This work has involved identifying appropriate alternative file transfer mechanisms and developing a suitable standard file format for the exchange of EFTPOS transactions. The new procedures will come into effect in the coming year.

High Value Clearing System

HVCS governs the exchange and real time settlement of payments made over the SWIFT/PDS.

In value, HVCS payments dominate the payment landscape and in doing that extinguish the substantial part of settlement risk that would otherwise exist. In contrast, the number of HVCS payments is relatively small. This year the total value of HVCS payments was \$24,408 billion. The total number of payments was 5.2 million. The average value of each payment was approximately \$4.8 million.

New member

Investec Bank (Australia) Limited became a member of HVCS in December 2004.

SWIFTNet migration

All HVCS members completed their migration to the new IP-based SWIFTNet during the year. This formed part of a worldwide move by SWIFT to the use of an internet protocol for message transmission. Preparations for the migration commenced in July 2003 and concluded on 26 November 2004.

Certification

Prospective members, and existing members when they make significant changes to their systems, are required, under the HVCS rules, to undergo a certification process to demonstrate that their systems comply with the

HVCS Regulations and Procedures and can successfully interface with the SWIFT/PDS and RITS/RTGS.

The HVCS Certification Test Plan, used by members and prospective members to complete certification testing, was reviewed and updated during the year and placed on APCA's extranet for the convenience of members.

Changes to evening session times

Following the Reserve Bank's successful trial of shorter evening sessions in both the RITS/RTGS and SWIFT/PDS operating day, amendments were made to the HVCS Procedures to bring the Evening Settlement Session and the Post Settlement Close Session forward by half an hour.

Settlement

Managing settlement risk

As foreshadowed in last year's Report, following approvals by the Reserve Bank under the Payment Systems and Netting Act and the Cheques Act, new failure to settle (FTS) rules were put in place in four of APCA's clearing systems: APCS, BECS, CECS and HVCS. The key objectives of the FTS rules are to allow the payments system to resume operating effectively after an FTS event (that is, if a member were to fail to meet its

settlement obligations) and, so far as possible, prevent contagion by protecting the surviving members' positions.

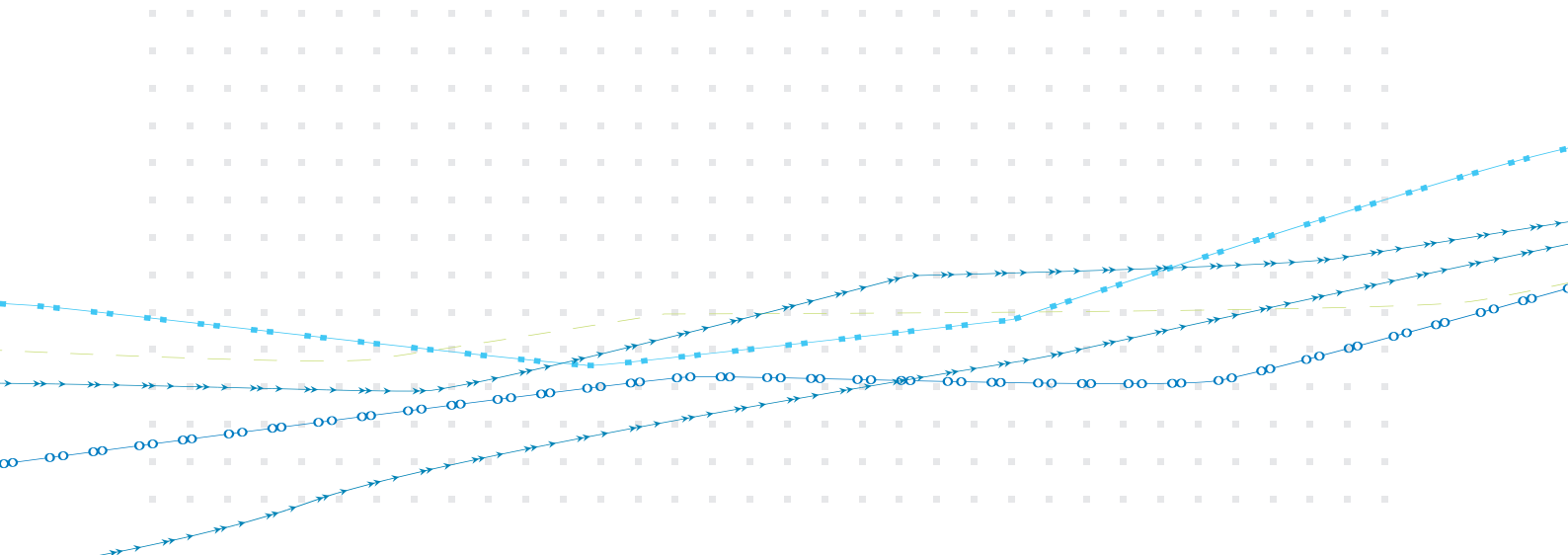
A set of FTS Guidelines was subsequently developed to assist APCA's members, APCA and, to some extent, the Reserve Bank and the Australian Prudential Regulatory Authority, to deal with an FTS event (if one were to occur). The FTS Guidelines provide practical guidance on the steps that should be taken if it becomes clear that a member has defaulted on its settlement obligations or if any member becomes aware that such an FTS event is about to occur. The Guidelines also include suggestions on some procedures that members may wish to establish internally as part of being prepared for an FTS event.

File transfer of settlement figures

The Reserve Bank introduced a facility to allow APCA's members that settle in the deferred multilateral settlement to send their clearing system settlement figures by file transfer rather than by fax. Though it is optional during a transitional period it is expected that all members will migrate to using the new facility.

Amendments will be made to the rules of the four impacted clearing systems (APCS, BECS, CECS and HVCS) to take account of the new method of sending settlement figures.

Australian Cash Distribution and Exchange System



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

Data on the number of cash trades between ACDES members is collected by APCA over a four-week period each year. The aggregate number of such trades over a four-week period in May 2005 was in the order of 5,700.

New audit arrangements

External auditors review ACDES members' cash holdings and related operating procedures in carrier depots on a continuing basis. Last year's Report referred to a project to review the audit strategy and the audit arrangements. ACDES members had initiated this project as the engagement with the auditors was subject to review in November 2004.

Following a tender process, PricewaterhouseCoopers was engaged to conduct cash centre audits of all three cash carriers used by ACDES members until August 2006. The new arrangements have delivered significant cost savings to ACDES members.

Study on wholesale cash management

Under the current Deed each ACDES member has with the Reserve Bank, ACDES members receive compensation from the Reserve Bank for interest foregone on holdings of wholesale cash. The Reserve Bank also provides some compensation for ACDES members' work in processing unfit and mutilated notes. As the current Deeds can expire in August 2006, subject to either party giving 12 months notice, ACDES members thought it prudent to review the terms of the current Deeds and to put forward their position to the Reserve Bank well before August 2005.

APCA engaged the services of an external economic consultant and a company with international expertise in cash management to investigate the wholesale cash management system, including matters related to compensation and to note quality, in Australia and in a number of overseas countries. The findings of this study were designed to assist ACDES members in developing their position and informing discussions between ACDES members and the Reserve Bank. The study was completed in May 2005. The results of the study were presented to the Reserve Bank as the final phase of the project.

Crisis Management

Each of APCA's clearing systems has contingency procedures in place to protect that system's integrity and to assist members when experiencing a processing disruption. A project was initiated to review these contingency procedures, across the five clearing systems, for gaps or inconsistencies. While no gaps or inconsistencies were uncovered, the review highlighted the need to establish processes that would facilitate the communication flow between APCA members during a disruptive event. As a result, the intention is to put a communications facility in place by the end of 2005, as part of an overall crisis management plan.

Advisory Councils

| APCS Advisory Council | | BECS Advisory Council | | CECS Advisory Council | |
|---|---|---|---|---|---|
| Robert Chesney <i>Chair</i> Lithographic Institute | Roger Morgan Fuji Xerox Australia | John Finnis <i>Chair</i> MYOB Australia | Christine Morris CITEC | Tem Elliott <i>Chair</i> Keycorp | Warren Scheuber Hypercom |
| Glenn Sutcliffe Australian Paper | Barbara Lindorff Prismac Systems | Keith Finkelde ASFA | Hayden King IFSA | Elvis Jurcevic American Express | Michael Aaron IBM |
| Jeff Eyles Australian Taxation Office | Jeff Galindo Security Printers' Association | Mark Slater Australian Taxation Office | Gerry Thornewell NEC Business Solutions | Terry Stephens Australia Post | Bob Bradey Mag-Tek |
| Iain McAlister AUSTRAC | Anthony Almeida Telecheck Payment Systems | Sean Richardson Cardlink Services | Karen English Prismac Systems | David Glen Banktech | Wayne Jorgensen MasterCard |
| Michael Israel Carreker Corporation | Alasdair Drummond Unisys Australia | Jude Xavier Cashcard Australia | Adrian Roche Real Estate Technologies | Barry Palmer Caltex Australia | Geoff Coffill Pulse International |
| Glenn Tattersall Certegy Australia | Russell Thurlow Xplor Asia Pacific | Helen Austin Centrelink | Tony Nguyen Secure eSolutions | Sean Richardson Cardlink Services | Vipin Kalra Visa |
| Tony Kurtz EDS | | | | Grant Bowyer Diebold Australia | Dhun Karai Woolworths |
| | | | | Brett Thompson Eracom | |



T to B: Mr R Chesney, Mr T Elliott
Absent: Mr J Finnis

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 process within APCA.

Participation and input

Advisory councils participated in, and provided input to, a number of projects and working groups during the year.

The APCS Advisory Council was represented on the working group tasked with publishing the cheque fraud prevention brochure and on the working group which is evaluating a number of initiatives for improving the quality of cheque printing.

The BECS Advisory Council initiated discussion on, and investigation of, a number of matters that go to the potential development of the direct entry system. These included standards for electronic superannuation contribution payments in BECS and the feasibility of standardising account annotations for direct entry payments. The Council also raised and pursued the need for an EFTPOS credit facility to make welfare related emergency payments. The CECS Management Committee responded positively to this and established a project to investigate EFTPOS credits. The BECS Advisory Council appointed a representative to the applicable working group handling this project.

Currently CECS has more projects and discrete tasks than have the other clearing systems. The CECS Advisory Council is fully involved in the heavy workload. To give two principal examples, the Council played a leading role in APCA organising an industry-wide workshop to consider the issues around the possible introduction of EMV in Australia. Council members have a strong interest in this matter and continue to support further work taking place through an EMV working group,

established as a result of the workshop. The Council is also providing three representatives to a recently formed working group with the objective of APCA collecting and publishing a comprehensive set of card fraud data.

Review of the model

The way advisory councils are structured and the type of member representation, have an important bearing on their potential contribution to APCA. The principal role of management committees for each clearing system is to maintain and improve the efficiency and integrity of clearing processes. In keeping with this, it was decided, primarily through professionally-facilitated wider membership seminars held in 1998, that advisory councils should be structured on a clearing system-by-clearing system basis with members who could offer advice at an operational level.

Advisory councils assess how effectively they are working through a regular survey. While this year's survey, on the whole, maintained the satisfactory results achieved in previous years, there were particular views that led to some questioning of the current advisory council model. As a result APCA's board and each of the councils considered that it is timely to hold another seminar (similar to those held in 1998) to review the current model and to look at whether it remains the best model for the future. A facilitated workshop will be held in the coming year.

Industry and Community



Above: EMV Workshop

Countering Fraud

[APCA's fraud committee monitors fraud trends and patterns and develops measures to counter fraud related to payment transactions within APCA's clearing systems.](#)

Monitoring fraud

APCA currently collects cheque and debit card fraud data from its members. This allows the fraud committee to monitor and analyse trends in fraudulent activity; in turn, this assists it in the development of well-targeted counter measures. In aggregate form the data are also provided to the Australian Federal Police and the Australian Crime Commission.

APCA intends to expand its fraud data collection to encompass credit and charge card data. This will give a comprehensive picture of payments related fraud that will have particular value to APCA's members but also to Australian law enforcement authorities.

Cheque fraud prevention

A 'Cheque Fraud Prevention' brochure was developed and published on APCA's website in December 2004. Primarily for the business customers of APCA's members, it provides advice and tips on how to improve internal controls to reduce the potential for cheque fraud.

ID document reference guide

Provided the support of document issuers is forthcoming, APCA intends to produce an identity document reference guide to assist financial institutions in combating identity fraud. The purpose of this Guide is to assist staff within APCA's members in assessing the authenticity of identity documents when opening accounts and verifying identity documents. The intention is to provide images of Australian passports, driver licences and birth certificates and describe their overt security features. A key priority for APCA has been to engage the relevant document issuers to obtain document samples. The Minister for Justice and Customs, the Reserve Bank, the Australian Bankers' Association and Australia Post have all given their support to this initiative.

Security alerts

APCA supplemented its existing 'Security Alert Bulletin' in place for APCS, with a similar bulletin for CECS. Using these bulletins, members who become aware of suspect fraudulent activities involving cheques or ATM and EFTPOS terminals, can advise other members by broadcasting an 'alert' via the APCA extranet.

Industry-wide participation

APCA participates in industry-wide efforts to counter payments fraud through the Australian Bankers' Association Fraud Taskforce and through the industry forum established by Senator Chris Ellison, Minister for Justice and Customs. Representatives from selected card schemes (eg Visa, MasterCard) are invited each year to attend an APCA fraud committee meeting to cement the liaison APCA has with the schemes on fraud matters. During the year a new link was established with the Australasian Telecommunications Fraud and Risk Association. APCA also attended a Multi-Factor Authentication Stakeholders' Meeting, directed towards countering internet fraud, coordinated by the Department of Communications, Information Technology and the Arts.

Co-operation and Liaison

Industry liaison

APCA regularly meets with the Australian Bankers' Association to share information and discuss matters of common interest. Other associations, which represent sections of APCA's membership, are represented around APCA's tables. Management also meets regularly with other industry bodies that have an involvement with payments matters.

EMV workshop

APCA, with the assistance and support of the Reserve Bank, held an industry workshop in October 2004 to consider the potential and implications of implementing EMV in Australia. EMV (from Europay, MasterCard and Visa) is a specification for interaction between chip cards and EFTPOS and ATM terminals. Some sixty-five people attended the workshop. They represented financial institutions, the card schemes, retailers, terminal owners and manufacturers, software providers, switches and the Department of Treasury.

The workshop considered the business drivers and timeframe for the possible introduction of EMV into Australia. It also looked at the benefits of there being a uniform approach to implementing EMV for both debit and credit transactions. APCA has established a working group to consider in detail issues surrounding the implementation of EMV, largely based upon the output from the workshop.

ICPACE

Following strong support for APCA's proposal to convene regular meetings of peak national payment organisations, APCA hosted the first meeting of the International Council of Payment Association Chief Executives (ICPACE) in November 2004.

The initial members of ICPACE are, the United Kingdom based Association for Payment Clearing Services (APACS), the Canadian Payments Association (CPA), the Irish Payment Services Organisation (IPSO), the Payments Association of South

Africa (PASA) and the South African Payments Strategy Association (SA Payments). A second meeting of ICPACE members was held in Canada in June 2005. The next meeting will be held in South Africa around mid 2006. These annual meetings will provide an effective forum for discussion and exchange of knowledge and ideas at a high level.

Payments clearing resilience

APCA is represented on the federal government's 'Trusted Information Sharing Network for Critical Infrastructure Protection' through its membership of the Banking & Finance Advisory Group (BFAG). Detailed information on the operation of APCA's clearing systems, and the contingency arrangements it has in place to assist members in the event of a major disruption, was provided as input to BFAG's report on *Critical Infrastructure in the Australian Banking and Finance Sector*.

APCA also participates in the financial industry's 'Allfinance' forum with a particular interest in the area of crisis management planning.

Sponsorship

APCA is sponsoring a study commissioned by the Department of Communications, Information Technology and the Arts to examine future developments in Australian electronic payments markets. The study will explore the structure and operation of Australia's payments systems and the future of electronic payments.

While the scope of the study is relatively broad, a significant focus will be on areas in which APCA has either direct responsibility for standards and procedures, or has a significant interest. The study is expected to provide a better understanding generally of how domestic electronic payment markets may evolve over time, but also more specifically how APCA's members might be affected by and prepare for such changes and what role APCA might play.

Representing the industry

APCA participates on 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 Committee IT/5/3, developing standards for message formats.
- Standards Australia Working Group IT/5/4, developing standards for authentication and security.
- ISO/TC68/SC2/Working Group 11, developing international standards for banking and related financial services in particular triple data encryption algorithms.
- ISO/TC68/SC2/Working Group 13, developing standards for security in retail banking.

Member education

APCA is instigating a member education program to promote a better understanding of its role in payments clearing and to assist members in training operational staff on APCA's procedures. The Institute of Financial Services Inc. (IFS), a registered training organisation, has been engaged to assist with the design and delivery of nationally recognised training content. As part of an initial phase, APCA is developing two prototype e-learning modules: an APCA overview module and a module covering APCS procedures relating to cheque amount encoding errors. It is expected that these modules will be made available to members during the coming year.

Informing stakeholders

APCA keeps the community informed of payments clearing developments through the quarterly publication *Payments Monitor*, annual reports and APCA's website. Members receive a regular newsletter on APCA activities and have secure access to extensive information through APCA's extranet. Briefing sessions for associate members are held twice yearly.

Management

Organisation Structure



Management supports the board, management committees and advisory councils in maintaining and developing clearing system rules.

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 also supported by management during the year.

In addition to or as part of managing clearing rules, APCA's responsibilities encompass project management, database management, operations, compliance, risk management, accreditation, fraud prevention and the new role of education.

Management at APCA is lean as a result of continuing attention to doing things more efficiently as APCA's role grows. Where changes to work practices can produce efficiencies these are adopted. APCA's staff numbers are 20 full-time staff and one part-time, as they have been for some years. This is against a backdrop of progressively doing more. To ensure APCA continues to meet all of its obligations effectively, a new position is being established to take responsibility for, and bring focus to, risk management, accreditation and fraud prevention.

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.

Again, as last year, more than 30 projects of various kinds and sizes across all clearing systems were underway during the year. Two permanent business project managers support the director of project management and operations, with contract project managers employed on a needs basis. This saves costs while providing flexibility to bring in people with specific skills for particular projects.

Managing risks

A framework in accordance with AS/NZS 4360:2004 is applied to managing risks across projects and to managing internal company risks. A comprehensive risk register has been compiled and this is reviewed regularly and whenever a risk related event occurs. An internal operational risk management committee, headed by the director of project management and operations, oversees this process. APCA's disaster recovery plan was reviewed during the year and work

commenced on developing a more comprehensive business continuity plan.

Annual IT audits are conducted by external auditors and monthly meetings of relevant staff keep a continual focus on the efficiency and safety of APCA's IT systems. New backup systems were put in place to increase backup speeds and capacity and a fail-over server was introduced. APCA's overall security was improved with the purchase and installation of a firewall and virtual private network (VPN) connectivity. Further enhancements were also made to the existing anti-virus and content filtering systems. APCA's IT policies, including the computer use policy, were rewritten to conform to ISO 17799.

Managing records

The convenience of e-mail has thrown up the challenge of ensuring that the company's records are complete and in good order. To meet the challenge, the database management software used by APCA's information management department was upgraded and new e-mail management software is being installed to ensure all inward and outward e-mails are captured and categorised within APCA's records.

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 the company's owner members.

The rights of the company'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, whose current term expires on 21 October 2005, has been reappointed for a further term.

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, determines 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 has established a management committee for each of the company'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 is empowered to establish other committees as it sees fit to assist in managing the company's affairs.

The board has established three such committees. The Finance and Audit Committee and the Remuneration Committee for corporate governance and, as a separate exercise, the Fraud Committee.

Finance and Audit (F&A) Committee:

The F&A Committee comprises a number of non-executive directors and the CEO. The F&A Committee's primary functions are to review the company's internal financial practices and audit 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 F&A Committee.

Strategy

The CEO provides the board each year with an assessment of APCA's strategic position for consideration and ratification by the board. The board approves the company's annual operational plan, allowing it to monitor the strategic direction the company is taking.

Financial controls

The board approves the company's annual budget. Expenditure that would lead to any material increase in the required budget is brought to the board for approval. The company has an annual external extended audit to test adherence to accounting policies in addition to the annual financial audit. The board and the F&A Committee review reports of both audits.

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

Operational risk

The internal operational risk committee has a reporting line to the F&A Committee to put the Committee and the board in a position to ensure risks are being appropriately addressed.

Legal risk

Two in-house lawyers 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. External legal advice is also obtained when appropriate. Adequate and appropriate insurance cover is in place. This is assessed annually in consultation with the company's brokers.

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. The company's employees are periodically educated about the importance of compliance with these policies. Directors and all committee members are also reminded of the terms of the harassment policy annually.

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 and management committee members review adherence to the Code annually. The currency of the Code is also reviewed annually by the company's legal department.

Additionally, all company employees 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.

Board of Directors



There were a number of changes to the board of directors during the year. Mr Bruce Munro (deputy chairman) resigned from the board in October 2004 and was replaced by Mr Stuart Woodward. Mr David Saville joined the board in December 2004 following the resignation of Ms Stella Thredgold. Mr Selva Selvanderan replaced Mr Steve Bryant in February 2005.

The names of the directors in office as at 30 June 2005 are set out, together with particulars of their qualifications, experience and special responsibilities.

1 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.*

2 Mr G L Bebbington BE(Hons)
Deputy Chairman
(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 and a director of Cardlink Services Limited. 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.*

3 Ms M L Bullock BEc(Hons), MSc(Econ)
(Non-executive director)

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

4 Mr C G Campbell BEc, MBus(Finance)
(Non-executive director)

Senior Manager, Industry, Westpac Banking Corporation. Over 15 years' experience in banking and economics, including payments policy, finance, product management and related areas. Currently director of BPAY Pty Ltd and Cardlink Services Limited. Appointed by Westpac Banking Corporation as a director in April 2003. *Chairman, Management Committee of the Australian Paper Clearing System. Member of the Finance and Audit Committee and the Remuneration Committee.*

5 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.*



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

General Manager Retail, Credit Union Services Corporation (Australia) Limited. Over fifteen 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.*

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

Head, Payments Risk & Industry, Australia and New Zealand Banking Group Limited. Over eighteen years' experience in the banking industry in payments and economics; five years in government service, including Federal Treasury. Director of CLS Services Limited. 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. Member of the Management Committee of the Bulk Electronic Clearing System.*



8 Mr D J Saville MBus(Mgmt), FAIB, PNA
(Non-executive director)

General Manager, Electronic Banking & Facilities, Bank of Queensland Limited. Twenty-seven years' experience in the banking industry including senior management and executive roles in distribution, channels, operations and payments businesses. Appointed by the RB Owner Member Electoral Group as a director in December 2004.

9 Mr S Selvanderan BA
(Non-executive director)

Head of Group Card Services, St.George Bank Limited. Over 15 years' experience in the financial services industry primarily in consumer finance. Has represented Australasia on regional and international card scheme committees. Appointed by St.George Bank Limited as a director in February 2005.

10 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.*



11 Mr J N Toms BComm
(Non-executive director)

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

12 Mr S A Woodward BA(Hons), FAIBF
(Non-executive director)

General Manager, Acquiring and Alliance Management, Working Capital Services, Premium Business Services, Commonwealth Bank of Australia.

Over twenty-seven years' experience within the Commonwealth Bank Group, including retail and corporate banking, payment systems and merchant acquiring. Currently a director of the Bankcard Association of Australia, Cardlink Services Ltd and an alternate director of BPAY Pty Ltd. Appointed by the Commonwealth Bank of Australia as a director in February 2005. *Member of the Finance and Audit Committee and the Remuneration Committee.*



Membership

Corporate Structure



APCA has four categories of members: owner, clearing system (members or participating members), 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 clearing system members.

Clearing system members

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

Separate 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 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.

Member representation

Membership of a clearing system 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 on 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). Additionally, directors may appoint up to two members of each management committee, to represent the collective interests of clearing system members that are not otherwise entitled to appoint a member of the management committee.

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 clearing system member. Associate membership must be renewed annually via payment of a nominal fee.

Owner Members and Clearing System Members

| APCA Members (as at 30 June 2005) | Clearing System Member | | | | | APCA Members (as at 30 June 2005) | Clearing System Member | | | | |
|--|------------------------|------|------|------|-------|--|------------------------|------|------|------|-------|
| | APCS | BECS | CECS | HVCS | ACDES | | APCS | BECS | CECS | HVCS | ACDES |
| ABN AMRO Bank NV * | | | | | ■ | ABS Building Society Ltd | | | | | ■ |
| Adelaide Bank Limited * | ■ | ■ | ■ | ■ | ■ | Australian National Credit Union Limited | ■ | ■ | | | |
| AMP Bank Limited * | ■ | ■ | | | ■ | B & E Ltd | ■ | ■ | | | |
| Arab Bank Australia Limited * | ■ | ■ | | | ■ | Bananacoast Community Credit Union Ltd | ■ | | | | |
| Australia and New Zealand Banking Group Limited * | ■ | ■ | ■ | ■ | ■ | Bank of Cyprus Australia Pty Limited | ■ | ■ | | | |
| Australian Settlements Limited (ASL)* | ■ | ■ | ■ | ■ | | BNP Paribas | | | | | ■ |
| Bank of America, National Association * | ■ | ■ | | | ■ | CLS Bank International | | | | | ■ |
| Bank of China * | ■ | ■ | | | ■ | Cashcard Australia Limited | | | | ■ | |
| Bank of Queensland Limited * | ■ | ■ | ■ | ■ | | Coles Myer Ltd | | | | ■ | |
| Bank of Tokyo-Mitsubishi, Ltd. Australian Branch * | ■ | ■ | | | ■ | Credit Suisse | | | | | ■ |
| Bank of Western Australia Limited * | ■ | ■ | ■ | ■ | ■ | GIO Building Society Limited | | | | | ■ |
| Barclays Bank plc * | | | | | ■ | Greater Building Society Ltd | ■ | ■ | | | |
| Bendigo Bank Limited * | ■ | ■ | ■ | ■ | | Heritage Building Society Limited | ■ | ■ | | | |
| Citibank Pty Limited * | ■ | ■ | ■ | ■ | | Home Building Society Ltd | ■ | | | | |
| Commonwealth Bank of Australia * | ■ | ■ | ■ | ■ | ■ | HSBC Building Society (Australia) Limited | ■ | ■ | | | |
| Credit Union Services Corporation (Australia) Limited (CUSCAL) * | ■ | ■ | ■ | ■ | | Hume Building Society Ltd | ■ | ■ | | | |
| CreditLink Services Limited * | ■ | ■ | ■ | | | Hunter United Employees' Credit Union Limited | | | | ■ | |
| Deutsche Bank AG * | ■ | ■ | | | ■ | IMB Ltd | ■ | ■ | | | |
| HSBC Bank Australia Limited * | ■ | ■ | | | ■ | ING Bank N.V. (Sydney Branch) | ■ | ■ | | | ■ |
| HSBC Bank plc * | ■ | ■ | | | ■ | Investec Bank (Australia) Limited | | | | | ■ |
| ING Bank (Australia) Limited * | ■ | ■ | | | ■ | Laiki Bank (Australia) Limited | ■ | ■ | | | ■ |
| JPMorgan Chase Bank, National Association * | ■ | ■ | | | ■ | Lifeplan Australia Building Society Limited | ■ | | | | |
| Macquarie Bank Limited * | ■ | ■ | | | ■ | Mackay Permanent Building Society Ltd | ■ | ■ | | | |
| Mizuho Corporate Bank, Ltd * | ■ | ■ | | | ■ | Maitland Mutual Building Society Limited | ■ | ■ | | | |
| N.M. Rothschild & Sons (Australia) Limited * | | | | | ■ | Members Equity Bank Pty Limited | ■ | ■ | | | |
| National Australia Bank Limited * | ■ | ■ | ■ | ■ | ■ | MoneySwitch Limited | | | | | ∨ |
| Oversea-Chinese Banking Corporation Limited * | ■ | ■ | | | ■ | Newcastle Permanent Building Society Ltd | ■ | ■ | | | |
| Reserve Bank of Australia * | ■ | ■ | | | ■ | Pioneer Permanent Building Society Limited | ■ | ■ | | | |
| Royal Bank of Canada * | | | | | ■ | Police Association Credit Co-operative Limited | | | | ■ | |
| St.George Bank Limited * | ■ | ■ | ■ | ■ | | Police Department Employees' Credit Union Limited | | | | | ■ |
| Standard Chartered Bank * | | | | | ■ | Queensland Police Credit Union Limited | ■ | | | | |
| State Street Bank and Trust Company * | ■ | ■ | | | ■ | Queensland Professional Credit Union Ltd | ■ | | | | |
| Suncorp-Metway Limited * | ■ | ■ | ■ | ■ | ■ | Queenslanders Credit Union Limited | ■ | | | | |
| United Overseas Bank Limited * | ■ | ■ | | | ■ | Rabobank Australia Limited | ■ | ■ | | | ■ |
| Westpac Banking Corporation * | ■ | ■ | ■ | ■ | ■ | Rabobank, Australian Branch (Co-Operative Centrale Raiffeisen-Boerenleenbank B.A.) | | | | | ■ |
| | | | | | | Societe Generale Australia Branch | | | | | ■ |
| | | | | | | State Bank of India | | | | | ■ |
| | | | | | | Taiwan Business Bank, Sydney Branch | ■ | ■ | | | |
| | | | | | | The International Commercial Bank of China | ■ | ■ | | | ■ |
| | | | | | | The Rock Building Society Limited | ■ | | | | |
| | | | | | | The Toronto-Dominion Bank | | | | | ■ |
| | | | | | | UBS AG (Australia Branch) | | | | | ■ |
| | | | | | | Victoria Teachers Credit Union Limited | ■ | | | | |
| | | | | | | Wide Bay Australia Ltd | ■ | ■ | | | |

* Denotes owner members
 ∨ Membership yet to become effective

Payments Statistics

| | Source | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|--------|---------|---------|---------|---------|---------|
| Number of payment transactions and ATM withdrawals – Business day average for month of May – millions of items | | | | | | |
| Cheques | APCA | 2.7 | 2.5 | 2.3 | 2.2 | 2.1 |
| Direct entry credits | APCA | 2.7 | 2.7 | 2.9 | 3.2 | 3.4 |
| Direct entry debits | APCA | 1.1 | 1.2 | 1.3 | 1.5 | 1.6 |
| Monthly total for May – millions of items | | | | | | |
| ATM withdrawals AB | RBA | 45.3 | 57.3 | 59.8 | 61.6 | 64.3 |
| EFTPOS AB | RBA | 53.2 | 75.7 | 81.0 | 87.4 | 98.0 |
| Credit cards AB | RBA | 67.8 | 84.2 | 85.6 | 93.6 | 102.2 |
| Value of payment transactions and ATM withdrawals – Business day average for month of May – \$ billions | | | | | | |
| Cheques | APCA | 8.3 | 7.6 | 7.2 | 7.1 | 6.8 |
| Direct entry credits | APCA | 9.1 | 10.3 | 11.2 | 13.7 | 15.5 |
| Direct entry debits | APCA | 7.0 | 8.1 | 8.6 | 10.5 | 12.1 |
| HVCS transactions BCD | RBA | 83.2 | 80.9 | 85.7 | 98.9 | 83.6 |
| Monthly total for May – \$ billions | | | | | | |
| ATM withdrawals AB | RBA | 8.0 | 9.8 | 10.0 | 10.2 | 10.6 |
| EFTPOS AB | RBA | 3.2 | 4.9 | 5.4 | 5.8 | 6.6 |
| Credit cards AB | RBA | 8.0 | 10.9 | 11.4 | 12.8 | 14.2 |
| Number of accounts/cards – Monthly total as at end of May in millions | | | | | | |
| Customer payment accounts | APCA | 32.7 | 28.1 | 29.4 | 32.4 | 33.0 |
| Debit cards | APCA | 19.4 | 19.7 | 20.6 | 19.6 | 20.4 |
| Credit & multifunction cards | APCA | 15.6 | 16.7 | 18.5 | 21.8 | 22.6 |
| Number of ATM and EFTPOS terminals – As at end of June | | | | | | |
| ATMs E | APCA | 13,289 | 16,398 | 20,339 | 21,550 | 24,173 |
| EFTPOS E | APCA | 375,883 | 415,167 | 433,640 | 465,754 | 518,532 |

Notes

- A** Figures published in the Reserve Bank of Australia *Bulletin* Table C1 and Table C2 (EFTPOS purchases). For consistency, figures showing (number and value of) 'ATM Withdrawals' are also from Reserve Bank *Bulletin* (previously, data were collected by APCA). See Explanatory Notes in Reserve Bank *Bulletin* for definitions and coverage.
- B** Historical data taken from time series available on the Reserve Bank website. Some of 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 transaction figures are taken from the SWIFT/PDS column of Table C.4.
- E** Figures since 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

APCA Publications

▪ BSB Numbers in Australia

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

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

Available from APCA's website:

- Cheque Fraud Prevention Brochure
- Design Specifications for Cheques and Deposit Forms (Publication 11.5.2)
- 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 (also published in hard copy form) 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 11.5.2 & 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.

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

Temogen Hield,
General Counsel,
Company Secretary

Phil Timms,
Director Corporate Affairs

Solicitors

Mallesons Stephen Jaques,
Sydney

Auditors

PricewaterhouseCoopers,
Sydney

Registered office

Level 24
25 Blich 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, 20 October 2005 at 9.30am.

The Annual Meeting of APCS will be held on Wednesday, 16 November 2005 at 9.30am.

The Annual Meeting of BECS will be held on Tuesday, 29 November 2005 at 9.30am.

The Annual Meeting of CECS will be held on Thursday, 10 November 2005 at 9.30am.

The Annual Meeting of HVCS will be held on Thursday, 24 November 2005 at 9.30am.

The Annual Meeting of ACDES will be held on Wednesday, 2 November 2005 at 9.30am.



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