

The Security Printers' Association policy on the low value payment system is as follows.

Electronic payments are increasing and personal cheque use is diminishing. The reason for that is that the EFTPOS system is replacing the personal cheque. The current EFTPOS system has all the desired attributes of a cheque:

- 1) I control who gets paid.
- 2) I can control when they get paid.
- 3) I very rarely pay the wrong person.
- 3) After the transaction I am given a receipt for my records.
- 4) It is a flexible payment system that is convenient.

The Financial Institutions are looking at a total revamp of the direct entry payment system to be able to supply the flexibility and convenience of cheques.

For small to medium sized businesses the cheque is a convenient, auditable, secure method of payment. My computer system does a cheque run for me, I don't have to go on the Financial Institutions website and re-enter data. I can decide who gets paid, when they get paid and I very rarely pay the wrong person, the payment is revokable, and the system experiences a very low level of fraud. When I am paid by cheque I know who has paid me and for what, and I have a record of the transaction.

As was stated at the seminar the speed of the funds transfer is not as important as it's accuracy. It seems that cheque payments are widely embraced and accepted as a payment method for SMEs and it is when the cheques get to the bank is where the problem seems to be.

So instead of developing a new system to be more like cheque why not convert the existing cheque system to be more like electronic payments, a far cheaper alternative. There is current technology that would allow the banks to convert a cheque into an electronic transfer with an image attached and be confident in the integrity of the original document.

The key to this is to identify counterfeit and altered documents as they enter the clearing system and remove them so that electronic images can be exchanged with confidence. This has other benefits besides fraud detection, for items with "special clearance" there would be no need to send the actual document, only the "clean scan", only the suspect cheques need to be kept for scrutiny.

There are several systems available and in current use overseas.

The key to the system is it must be an industry solution, with multiple suppliers with the Financial Institutions in control.

The payment system has to be revamped and to have real time transfers and pay by phone technology there will have to be a level of trust and cooperation between the Financial Institutions that will take a long time to achieve.

The cheque clearing system is one of the most mature payment systems in Australia that can quite easily be updated to fit all the criteria of a "modern payment" system.

I would like to thank APCA for the opportunity to participate in the Low Value Payments Seminar and provide my industry's view.

Regards
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