



# PAYMENTS MONITOR

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*PAYMENTS MONITOR is published by APCA each quarter. Its purpose is to keep members and interested parties abreast of developments in payments clearing.*

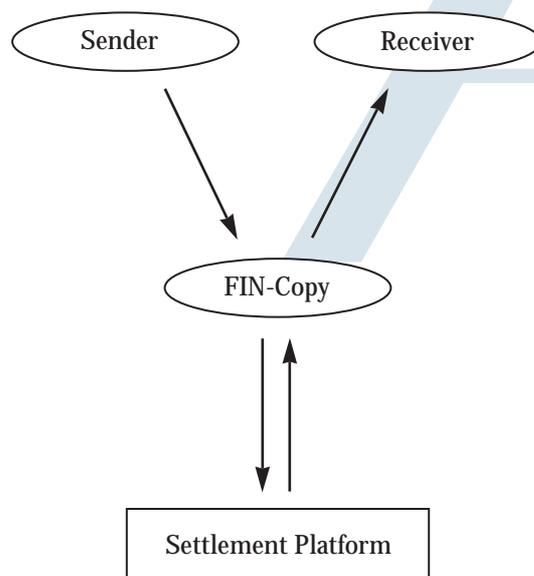
## HIGH VALUE CLEARING SYSTEM: FIRST PAYMENTS EXCHANGED

THE FIRST-INTER BANK  
PAYMENTS WERE  
EXCHANGED OVER APCA'S  
HIGH VALUE CLEARING  
SYSTEM (HVCS) ON  
25 AUGUST 1997

The first inter-bank payments were exchanged over APCA's High Value Clearing System (HVCS) on 25 August 1997 by five banks, including the Reserve Bank. By the end of September another six banks had started exchanging payments.

The HVCS uses SWIFT's FIN-Copy product (configured in Y mode) to exchange payment messages between participating members. FIN-Copy is a service built on SWIFT's worldwide financial application network to allow financial institutions to exchange domestic payment messages in a closed user group.

In the four weeks (20 business days) following the start of the HVCS on 25 August, - 3,361 payments totalling \$66.5 billion, with an average value of nearly \$2 million per payment, were sent and received via FIN-Copy.



All holders of Exchange Settlement Accounts at the Reserve Bank - all banks and two Special Service Providers serving credit unions and building societies respectively - are expected to join the HVCS and commence sending and receiving payment messages using FIN-Copy during the remainder of 1997 and early 1998.

The HVCS gives financial institutions an electronic mechanism to exchange high value payments which will be settled in "real time" across their Exchange Settlement Accounts with the Reserve Bank.

Initially, payments over the HVCS will continue to be settled next day, on a net basis. Settlement on a real time gross settlement (RTGS) basis is scheduled for April 1998, after a phasing in period to allow financial institutions to prepare for the new arrangements.

The HVCS provides Australia with a best practice, efficient and secure payments mechanism for exchanging high value payments.

The project to develop the new system has involved banks, building society and credit union industries and the Reserve Bank working together, with SWIFT, within APCA's co-operative framework.

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## CONSUMER ELECTRONIC CLEARING SYSTEM (CECS)

### **More work to do to gain trade practices authorisation ...**

CECS rules in respect of EFTPOS and ATM interchanges were lodged with the Australian Competition and Consumer Commission (ACCC) in September 1996 with an attendant application for trade practices authorisation.

The ACCC issued its Draft Determination in August 1997. In that Determination the ACCC denied authorisation for the CECS arrangements. At the same time, the ACCC noted that sufficient public benefit would likely result from the arrangements, and authorisation may be subsequently granted, if the CECS rules were further developed.

The developments required include the incorporation in the CECS rules of equipment and other standards applying to EFTPOS and ATM Acquirers (the draft rules currently include only Issuer interchange standards) and the incorporation of provisions directed towards ensuring that 'efficient pricing principles' applied to interchange pricing between Acquirers and Issuers.

The ACCC also indicated that it would delay issuing a final determination pending consideration of APCA's response to the Draft Determination.

APCA has subsequently informed the ACCC that it will amend the CECS rules to accommodate the developments which are required to support authorisation of the CECS arrangements. This work will be completed expeditiously in consultation with the ACCC.

APCA HAS INFORMED THE ACCC THAT IT WILL AMEND THE CECS RULES TO ACCOMMODATE THE DEVELOPMENTS WHICH ARE REQUIRED TO SUPPORT AUTHORISATION OF THE CECS ARRANGEMENTS.

## CHEQUE CLEARING

### **Shortening the Clearing Cycle...**

A migration strategy is being developed to underpin the implementation of electronic presentment and dishonour of cheques. The strategy will be important to reduce the risks to the effective operation of the paper clearing system while the changes are occurring; and to better manage the large number of individual projects and bilateral testings which form part of the overall project.

In developing the migration strategy, the approach has been to set a number of "deadlines" which specify dates by which Australian Paper Clearing System (APCS) members must have completed particular steps.

The development of these deadlines has taken account of APCA's decision, previously reported, that all members of the APCS must be technically ready to commence bilateral testing by 1 July 1998.

A planned industry-wide implementation schedule will be set once the migration plan has been finalised.

### **APCA'S ROLE**

APCA has begun a process of reviewing how the Company's role and membership might be broadened. This process is set against the background of the Wallis Inquiry's call for more open access to the payments system, and prospective changes in the way payment services will be delivered; e.g., via the Internet.

## CHANGES TO PRINTING PROCEDURES

NEW PROCEDURES HAVE BEEN DEVELOPED FOR BOTH MICR ACCREDITATION AND DESIGN AND PRINTING APPROVAL, TO COME INTO EFFECT ON 1 JANUARY 1998.

New procedures have been developed for both MICR accreditation and design and printing approval. These new procedures will come into effect on 1 January 1998. The procedures are contained in amendments made to APCA's Publication 3.R2 (for MICR accreditation) and Publication 11.4 (for design and printing approval).

### **MICR Accreditation**

The system for testing and registration of MICR printing systems aims to ensure an acceptable quality of MICR printing. Manufacturers and vendors of printing systems may apply to have their products tested in accordance with the procedures. If the results of that testing show that the printing system is capable of reliably producing MICR encoding of an acceptable standard, the printing system will be added to the register (to be maintained by APCA).

Testing is voluntary and registration does not guarantee that an individual printing system will produce an acceptable result (because of manufacturing tolerance or operational variances). Nevertheless, successful testing and consequent registration does indicate the general capacity of the printing system to produce MICR encoding of an acceptable standard.

### **Design and Printing Approval Procedures**

The objective of these procedures is the implementation of an efficient process of evaluation, approval and authorisation of specially printed cheques, payment orders and deposit forms.

APCA will maintain a register of organisations that print cheques, payment orders and deposit forms. APCA will allocate a three character Printer Identifier to each such organisation that requests registration.

When financial institutions approve standard or base designs they will issue the supplying printer with a Design Approval Number (DAN). This DAN can then be quoted at a later stage

without having to go through the approval process again. When financial institutions approve the printing itself they will issue the supplying printer with a Printing Approval Number (PAN). Both the DAN and the PAN will incorporate the Printer Identifier.

APCA will organise seminars in each state capital city in early December to explain the new procedures to interested parties.

## PAYMENTS SYSTEM INTERNATIONAL CONFERENCE (PSIC)

The fifteenth PSIC is to be held in Sun City, South Africa from 1 to 3 April 1998. Programs and registration forms will be made available shortly and those wishing to attend should mark their diaries if they have not already done so.

The conference theme - The New Payments Industry: Globalisation and Fragmentation? - examines the issues and strategies which arise for stakeholders from the fragmentation of the provision of payment services (in terms of participants, products and delivery channels) set against the globalisation of commerce.

## PAYMENTS STATISTICS

The following table provides updated payment statistics.

|   | Source | 1994   | 1995   | 1996    |
|---|--------|--------|--------|---------|
| <b>1. Number of payments transactions</b>     |        |        |        |         |
| <i>(Millions of items per day)</i>            |        |        |        |         |
| Cheques                                       | APCA   | 3.7    | 3.9    | 3.7     |
| Direct entry credits                          | APCA   | 1.6    | 1.9    | 1.6     |
| Direct entry debits                           | APCA   | 0.3    | 0.4    | 0.4     |
| <i>(Millions of items per month)</i>          |        |        |        |         |
| ATM withdrawals <i>(August)</i>               | APCA   | 40.7   | 38.8   | 41.6    |
| EFTPOS <i>(November)<sup>(c)</sup></i>        | RBA    | 20.7   | 29.1   | 35.5    |
| Credit card <i>(November)<sup>(c)</sup></i>   | RBA    | 19.9   | 22.6   | 24.6    |
| <b>2. Value of payments transactions</b>      |        |        |        |         |
| <i>(\$ billion per day)</i>                   |        |        |        |         |
| Cheques                                       | APCA   | 24.8   | 23.4   | 23.2    |
| Direct entry credits                          | APCA   | 1.9    | 2.6    | 4.0     |
| Direct entry debits                           | APCA   | 1.3    | 1.2    | 1.6     |
| RITS, BITS & Austraclear <sup>(a)</sup>       | APCA   | n.a.   | 60.0   | n.a.    |
| <i>(\$ billions per month)</i>                |        |        |        |         |
| ATM withdrawals <i>(August)<sup>(b)</sup></i> | APCA   | 4.4    | 4.9    | 5.6     |
| EFTPOS <i>(November)<sup>(c)</sup></i>        | RBA    | 1.1    | 1.5    | 1.9     |
| Credit card <i>(November)<sup>(c)</sup></i>   | RBA    | 1.8    | 2.0    | 2.3     |
| <b>3. Number of accounts/cards</b>            |        |        |        |         |
| <i>(Millions, as at 31 August)</i>            |        |        |        |         |
| Customer payment accounts                     | APCA   | 34.4   | 34.9   | 30.8    |
| Debit cards                                   | APCA   | 13.2   | 13.6   | 15.1    |
| Credit & multifunction cards                  | APCA   | 9.1    | 9.9    | 9.8     |
| <b>4. Number of ATM and EFTPOS terminals</b>  |        |        |        |         |
| <i>(as at December)</i>                       |        |        |        |         |
| ATMs  | APCA   | 6,008  | 6,775  | 7,718   |
| EFTPOS  | APCA   | 43,950 | 85,234 | 136,645 |

## NOTES:

- The figure for the value of RITS, BITS and Austraclear transactions is based on a special survey over 65 days to end September 1995, adjusted for an estimate of own items.
- ATM figures are based on data collected by APCA in August each year. The ATM withdrawals figure for 1995 may have been affected by devices that were out of service due to the security guards strike in August.
- The Reserve bank publishes in its Bulletin figures showing credit card and EFTPOS transactions acquired from merchants each month (see Table B.16 of the Bulletin). The earliest available figures in this collection are for May 1994.