



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.

"A WIDER MEMBERSHIP TASKFORCE REVIEWED A RANGE OF OPTIONS FOR BROADENING INVOLVEMENT IN APCA DECISION-MAKING, AND PRESENTED ITS RECOMMENDATIONS IN NOVEMBER 1998 AS A PACKAGE OF PROPOSALS. THESE RECOMMENDATIONS WERE SUBSEQUENTLY ENDORSED BY THE BOARD."

WIDER APCA MEMBERSHIP

A Taskforce commissioned by APCA to investigate how APCA membership could be widened presented its recommendations at a seminar held on 20 November 1998. Representatives from a range of organisations interested in further involvement in APCA formed part of the taskforce and took part in the seminar.

The Taskforce reviewed a range of options for broadening involvement in APCA decision-making, and presented its recommendations as a package of proposals. The Seminar participants supported the task force's recommendations which were subsequently endorsed by the Board. A staged timetable for more detailed review, or for implementation, has been scheduled for this year. The status of the main elements of the package of proposals is described below.

Advisory Councils

A key recommendation of the taskforce was that mechanisms for Advisory Councils be established for each of APCA's clearing systems - paper, bulk electronic, consumer electronic and high value.

The object of Advisory Councils will be to provide a forum within the relevant clearing system for interested parties who are not eligible for membership of the system, but which have a relevant interest in payments clearing, to provide input on matters related to the clearing cycle.

The initial members of the Advisory Councils will be appointed by the APCA Board. It is proposed that each Advisory Council will consist of between 6 and 12 members, although flexibility will be provided for.

The process for introducing these changes is underway, with the intention that the changes required for the establishment of advisory councils be in place by the end of April 1999. A series of meetings of clearing system members, at which the arrangements would be endorsed, has been scheduled for March and April.

Participating Membership - All Clearers

It was recommended that APCA's clearing system regulations be inclusive of all clearers regardless of whether credit or deposit facilities were provided; in other words, that participating membership of clearing systems should only require that the organisation be engaged in clearing.

The draft regulations for the Consumer Electronic Clearing System were structured in this way. Each of APCA's existing clearing systems will also be reviewed to determine how a similar model can be applied to membership requirements. It is expected that proposals flowing from these reviews will be put to the membership of clearing systems for endorsement at their 1999 annual meetings.

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"ORGANISATIONS WHICH CAPTURE AND TRANSMIT TRANSACTIONS DIRECTLY TO ISSUERS ARE AFFECTED BY APCA'S RULES IN A WAY WHICH CLOSELY MIRRORS THE POSITION OF AN ACQUIRER AND WOULD HAVE SIMILAR ADVANTAGES, AS DO ACQUIRERS, IN PARTICIPATING IN THE ADOPTION AND USE OF A SINGLE AGREED SET OF APCA STANDARDS."

Participating Membership - Particular Non-Clearers

With particular reference to EFTPOS, the Taskforce proposed that participating membership be extended beyond clearers to non-clearing organisations which capture and switch transactions directly to card Issuers for value.

In the usual case, organisations which capture EFTPOS transactions transmit all such transactions to an Acquirer financial institution for reimbursement. The Acquirer is interested in the integrity of this capture and transmission, and also in the integrity of the subsequent transmission the Acquirer makes to the Issuer. APCA's rules have application to the integrity of capture and transmission.

It was concluded that organisations which capture and transmit transactions directly to Issuers are affected by APCA's rules in a way which closely mirrors the position of an Acquirer and would have similar advantages, as do Acquirers, in participating in the adoption and use of a single agreed set of APCA standards. It is likely that membership under this approach would be open to certain retailers and other organisations which now, or in the future, switch transactions directly to issuers.

The Board endorsed this principle being included in draft regulations for the Consumer Electronic Clearing System and work is currently underway to determine the details. Once details of the extension of participating membership to this new category of organisation have been worked out for the consumer electronic system, its applicability to other clearing systems will be examined.

CONSUMER ELECTRONIC CLEARING SYSTEM

APCA lodged a further application with the Australian Competition and Consumer Commission (ACCC) under the Trade Practices Act on 16 December 1998, for authorisation of the Consumer Electronic Clearing System. The amended CECS Regulations and Manual establish a system for the secure, effective and efficient clearing of transactions generated within the ATM and EFTPOS networks.

Since the ACCC made its draft determination in August 1997, in which it rejected APCA's initial application and requested that certain additional material be included, APCA has been carefully reviewing and re-drafting the CECS Regulations and Manual.

As a result of this process, the membership criteria for the re-submitted CECS Regulations have been broadened. Membership criteria are now purely functionally rather than institutionally based. Representation on the CECS management committee has been adjusted to cater for a potentially wider membership. The establishment of a CECS advisory council has been included.

The CECS Manual which details mandatory technical, security and operational standards has been expanded and now includes detailed sections on EFTPOS Acquirer Standards, EFTPOS Interchange Operations Procedures, ATM Acquirer Standards, ATM Interchange Operations Procedures, and associated Security Standards.

"PROCEDURES BIND ALL MEMBERS TO ELECTRONIC PRESENTMENT AND DISHONOUR OF CHEQUES FROM 30 APRIL 1999."

ELECTRONIC PRESENTMENT & DISHONOUR

The Electronic Presentment & Dishonour project will provide a set of agreed standards for the electronic presentment and dishonour of cheques. A number of milestones in testing and implementation have been achieved, and the project is on schedule to be completed by 30 April 1999.

By the end of February, the direct clearing members of APCA's paper clearing system had completed 85% of all required testing and over 50% of bilateral implementations. The final phase of testing is scheduled to commence in early March and be completed prior to the completion of all implementations in April. In addition, direct clearers which have been appointed by others to represent them have been testing with their appointors and non drawee issuers.

The management committee for the paper system has shown its commitment to the 30 April 1999 deadline by endorsing changes to the Procedures to bind all members to electronic presentment and dishonour of cheques from 30 April 1999.

DIRECT DEBIT SYSTEM

Direct debiting is an efficient way of paying bills. It is a system for the periodic electronic debiting of customer's accounts for the payment of bills. Direct debiting encompasses payments for a range of purposes including utilities' accounts, insurance premiums and superannuation contributions, rent, charitable donations and finance payments to name but a few. A project has been underway for some time to improve the system.

In late 1998, as a result of a review of the direction of the project, two goals were clarified - to improve administrative arrangements (both for financial institutions

and organisations which use the system) and to increase the uptake of direct debit in the community.

The fundamental change to the system involves the introduction of a direct debit request (DDR) to replace the current "PD-C form". The DDR will be the customer's authority to direct debit his account, but will be addressed to the user organisation, not to a financial institution, and will be held by the user organisation.

Close liaison has been established with user organisations in the system. A program of "road testing" the broad proposals for implementing changes to direct debiting is being conducted through a series of consultations with a representative number of users.

A liaison group established between APCA and users has been revitalised, with a broader cross-section of users now represented. The liaison group operates as a vital feed-back and testing tool for proposals.

An implementation date of 30 September 1999 has been set for introduction of the changes, with a compliance date 12 month later. This transition period will give user organisations leeway to phase in the use of DDRs.

AS A RESULT OF A REVIEW OF THE DIRECTION OF THE DIRECT DEBIT REQUEST PROJECT, TWO GOALS WERE CLARIFIED - TO IMPROVE ADMINISTRATIVE ARRANGEMENTS (BOTH FOR FINANCIAL INSTITUTIONS AND ORGANISATIONS WHICH USE THE SYSTEM) AND TO INCREASE THE UPTAKE OF DIRECT DEBIT IN THE COMMUNITY.

A CONTINGENCY PROGRAM HAS ADDRESSED THE STABILITY OF THE PAYMENT SYSTEMS ENVIRONMENT IN AUSTRALIA IMMEDIATELY BEFORE, DURING AND AFTER THE YEAR 2000 TRANSITION, AND A PRESERVATION PERIOD AND CHANGE IMPLEMENTATION MORATORIUM HAVE BEEN ESTABLISHED.

YEAR 2000 READINESS

Industry Testing

APCA's Year 2000 Testing Program is well advanced with testing underway for all four APCA payment clearing stream as well as the BPAY system.

The completion of industry testing for all participants across all of APCA's clearing streams is scheduled for 30 June 1999.

Completion of testing by 30 June aims to put the Australian payments industry in a sound position of readiness for Year 2000.

Preservation Strategy

APCA's Steering Group responsible for overseeing payments clearing Year 2000 testing strategy has approved a preservation strategy for payments systems, and a strategy document has been issued to all APCA members and selected service providers in the payments industry.

The objective of the preservation strategy is to produce an appropriate level of Year 2000 readiness of the payment systems from completion of the industry testing through to 15 March 2000 (the preservation period). The strategy aims to ensure that payment systems will not be adversely impacted by changes made to members' systems following the completion of industry testing, while still enabling members to make changes as necessary.

Contingency Program

Under the direction of APCA's Year 2000 Contingency Consultative Group, a contingency program has been developed, and approved by the Board. Among other issues, the program addresses identification of risks and risk mitigation strategies, and contingency and situation management plans.

As an early risk mitigation initiative, the contingency program has addressed the stability of the payment systems environment in Australia immediately before, during and after the year 2000 transition.

As a result, the APCA Board has approved a 'change implementation moratorium' in addition to the 'preservation period' referred to above.

The change implementation moratorium applies to all system components that participated in industry testing. It will be in existence for the following periods:

- 1 November 1999 to 17 January 2000 inclusive; and
- 21 February 2000 to 3 March 2000 inclusive.

During the moratorium, APCA's members and service providers will only be permitted to undertake emergency fixes (corrective and preventative) and table changes (as part of normal business operation).

"APCA's focus in relation to the year 2000 problem is to co-ordinate industry testing and industry preservation and contingency planning to deal with that problem from a payments system-wide perspective. Responsibility for achieving the aims stated above for each of these initiatives cannot rest solely with APCA, as its work is not a substitute for, and is meant to complement, the due diligence/ remediation work and contingency planning each institution must separately undertake to identify and address the particular Year 2000 problems that are likely to affect that institution."

"The details given above constitute a Year 2000 disclosure statement for the purposes of the Year 2000 Information Disclosure Act 1999. A person may be protected by that Act from liability for this statement in certain circumstances."