



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.

“CHEQUES DRAWN ON THEMSELVES BY BANKS, BUILDING SOCIETIES AND CREDIT UNIONS ARE NOW ON AN EQUAL FOOTING IN APCA’S RULES.”

BANK CHEQUE RULES EXTENDED

APCA’s rules provide for only a limited number of reasons for the dishonour of cheques drawn by banks on themselves. These provisions have now been extended to cover building society and credit union cheques, and special service provider cheques. The term bank cheque in APCA’s rules has been replaced with financial institution cheque.

The amended dishonour rules are consistent with Section 5 of the Cheques Act, as amended in 1998, which places cheques that the Reserve Bank of Australia, banks, building societies, credit unions and special services providers draw on themselves on an equal footing.

STRATEGIC RESEARCH & POLICY DEVELOPMENT

APCA is establishing a strategic research and policy development area. The new area will provide knowledge and insight about the likely potential direction of payments system developments; assist APCA, and APCA members individually, to be appropriately positioned; and place APCA in a better informed position in interacting with external parties and in dealing with external events.

APCA’S SHAREHOLDING AND REPRESENTATION STRUCTURE

The payments environment has progressively changed since APCA’s establishment. In particular institutional differences are becoming less sharp and there is significant involvement in payments of a greater number of players than in the past.

Currently APCA’s shareholding structure, and associated representation on the board and management committees is institutionally based. It has become clear that a more flexible, less institutionally based, shareholding structure is needed to carry APCA forward.

In recognition of this, APCA has endorsed principles which when applied at both company, board and management committee level will move towards effectively de-institutionalising share representation and management committee representation.

Initial drafting of amendments to incorporate the agreed principles into the company’s Memorandum and Articles of Association will be progressed during the second half of 1999.

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“IMPLEMENTATION OF THE DDR ARRANGEMENTS HAS BEEN POSTPONED FROM 30 SEPTEMBER 1999 TO 31 MARCH 2000.”

DIRECT DEBIT REQUEST ARRANGEMENTS

Road testing of the proposed DDR arrangements among a sample of billing organisations was completed in April. The need for some fine tuning apart, the feedback was overwhelmingly positive. A scheduled implementation date of 30 September 1999 was set, based on obtaining authorisation from the Australian Competition and Consumer Commission (ACCC) by end June.

While the ACCC issued a favourable draft determination on the DDR arrangements at end June, it did not, at that stage, authorise the arrangements. The decision was therefore taken to postpone implementation, and to set a new date of 31 March 2000 to avoid change during the Y2K moratorium period.

The ACCC subsequently confirmed its draft determination and granted interim authorisation for the DDR arrangements on 21 July 1999. The authorisation has been granted until 12 August 2004. A three week period applies between 21 July 1999 and 12 August 1999 to allow time for the possibility of any appeal to the ACCC Tribunal.

CONSUMER ELECTRONIC CLEARING SYSTEM

In July APCA lodged further amendments to its CECS rules with the ACCC providing for wider membership of the clearing system.

The Regulations, as now amended, widen participating membership to include organisations termed “merchant principals”. Merchant principals are organisations which

- ▲ capture and switch transactions direct to multiple issuers;

- ▲ receive value in exchange from issuers as principal; and
- ▲ accept substantially the same level of risk and obligations as do acquirers.

APCA’s establishment of CECS awaits ACCC authorisation before it can proceed.

DIGITAL CERTIFICATION

APCA’s project to establish itself as a certification authority is running broadly to schedule.

Baltimore Pty Limited has been selected as the preferred vendor to produce certificates on APCA’s behalf. Under this arrangement, APCA will also negotiate a common outsourced facility with Baltimore which APCA’s members can use to produce certificates on their behalf, if they so choose.

It is planned that APCA will be in position to issue certificates by the end of 1999 or shortly thereafter.

APCA’s role in issuing certificates will be an extension of APCA’s role in managing and developing payments clearing systems, and will be provided as a service to its participating members.

APCA will ensure consistency of standards in the issuance of certificates by APCA’s members, and will provide the regulatory framework within which these certificates will be issued.

“THE ESTABLISHMENT OF ADVISORY COUNCILS WILL PROVIDE THE OPPORTUNITY FOR A WIDER RANGE OF ORGANISATIONS TO BE INVOLVED IN APCA’S AFFAIRS, PRODUCING BETTER INFORMED DECISION MAKING, MORE ATTUNED TO THE INTEREST OF ALL STAKEHOLDERS.”

WIDER APCA MEMBERSHIP

Advisory Councils

Regulations providing for the establishment of advisory councils have been adopted for all of APCA’s clearing systems.

Paper System (APCS)

Invitations for expression of interest in joining as APCS Advisory Council members were sent to a number of organisations at the end of May. The establishment of an initial APCS Advisory Council is scheduled for 1 August 1999.

Initial members of the APCS Advisory Council include representatives from the following organisations:

Australia Post
Thomas Cook
Austrapay Limited
EDS (Australia) Pty Limited
IBM Australia Limited
NCR Australia Pty Limited
Unisys Australia Limited
Ausdata Pty Limited
Prismac Systems Australasia Pty Limited
Equifax
Telecheck Payment Systems Limited

Direct Entry (BECS)

Invitations for expression of interest in joining as BECS Advisory Council members were sent to a range of organisations at the end of June, responses are currently being evaluated. The intention is to establish the BECS Advisory Council before the end of this year.

Consumer Electronic System (CECS)

Invitations for expression of interest in joining as CECS Advisory Council members were sent to a range of organisations at the end of February. The initial CECS Advisory Council was established on 1 July 1999.

Initial members of the CECS Advisory Council include representatives from the following organisations:

Australian Finance Conference
Cashcard Australia Limited
Coles Myer Limited
Eracom Pty Limited
First Data Resources Limited
Hypercom Australia Pty Limited
IBM Australia Limited
NCR Australia Pty Limited
Telstra
Woolworths Limited

A first meeting of the CECS Advisory Council is scheduled to be held on 13 August 1999.

High Value System (HVCS)

APCA is currently reviewing the level of potential interest in a HVCS Advisory Council. Once this review is complete a decision will be made as to whether sufficient basis exists for establishing an advisory council.

“TESTING: NO Y2K PROBLEMS FOUND AS APCA MEMBERS SUCCESSFULLY COMPLETE INDUSTRY TESTING ON 30 JUNE 1999.”

“CONTINGENCY: INDUSTRY CONTINGENCY PLANNING WELL ADVANCED TO ADDRESS YEAR 2000 DISRUPTIONS, SHOULD THEY OCCUR.”

YEAR 2000 READINESS

Industry Testing

Industry testing for the four APCA payment clearing systems was successfully completed on schedule on 30 June 1999.

No Y2K problems were reported by the members and selected service providers which participated in the testing.

Completion of testing adds to the confidence that APCA's payments clearing systems should continue to work as expected through the change of year.

Preservation

With industry testing completed it is important that payment systems are not adversely affected by subsequent system changes.

APCA has completed analysis of the first round of preservation reports from its members and is currently analysing the second round of reports. A third and final round of reports will be provided in September.

APCA is working with individual members to define and agree any preservation tests required. These tests, which must be completed by 30 September 1999, will be monitored by APCA.

Industry Change Implementation Moratorium

A payments industry-wide moratorium on payment system changes is to be observed by APCA's members during the following periods:

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

Contingency Planning

Industry contingency planning is underway, directed towards situations which could potentially disrupt payments clearing arrangements.

APCA is developing strategies for reducing the risk and impact of potential disruptions.

Communications

Communication between APCA, its members and the regulators will be important during the critical Y2K periods (e.g. transition from 1999 to the Year 2000).

APCA is developing a Year 2000 communications strategy and it is expected that APCA will be operating a communication & co-ordination centre during critical Y2K periods. APCA is working closely with its members and the Reserve Bank in order to establish efficient communication channels.

“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 authorised by the Australian Payments Clearing Association Limited 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.”