

## Consumer Electronic Clearing System (CECS)

After a lengthy process, APCA established its Consumer Electronic Clearing System (CECS) in November last year.

This completed the establishment of APCA's four clearing systems and meant that APCA could operate with authority in the area of consumer electronic payments. It also paved the way towards a more inclusive membership structure.

### Extending membership

For some time APCA has been reviewing membership criteria with the objective of moving away from membership based on institutional status. APCA is a clearing association. Its voting members should be clearing organisations, whether they are banks, building societies or credit unions, or any other type of organisation.

One of the benefits of the time taken to establish CECS was that it gave an opportunity for APCA to reflect its review of membership criteria in the CECS rules. The CECS rules admit to voting membership any corporate that either acquires ATM or EFTPOS transactions or that issues cards which are acquired. Nothing in the membership rules specifies what type of corporate can be a member.

The CECS rules also extend membership to retailers that capture EFTPOS transactions and switch them directly to issuers, in addition to transactions processed through an acquirer. This allowed Coles Myer membership of the system.

A Management Committee drawn from the membership oversees the system. Members or groups of members with 5 per cent of clearing volume are entitled to representation. Aside from this general rule, special provision is made for the Reserve Bank, building societies and credit unions to en-

sure them each a place on the Management Committee. This should be seen in a positive light, even though it represents a departure from the principle of representation being based solely on objective volume criteria. The Reserve Bank has been recognised because of its regulatory position. Building societies and credit unions have been recognised because of their cohesion as industry groups and their longstanding participation in payments clearing.

There is also provision for a member or members combined that cannot achieve the necessary volume criteria of 5 per cent to be represented on the Management Committee. Coles Myer has filled this seat.

### What is CECS' role?

As with all APCA clearing systems, the role of CECS is to develop and manage procedural and operational rules and technical standards governing the exchange and settlement of payment transactions. For CECS, these transactions are ATM and EFTPOS transactions. The rules and standards go to such things as operational procedures and message protocols between acquirers and issuers, to the end-to-end security and integrity of PINs, messages and transactions from the point of capture, and to what happens in situations when there are technical disruptions to networks.

APCA is not involved in commercial or pricing arrangements between participants in any of its clearing systems. Therefore CECS has no role in such arrangements in the EFTPOS and ATM networks. The objective of CECS, through managing and developing clearing rules, is to maintain and where feasible improve the efficiency, integrity and security of transactions within the EFTPOS and ATM networks. □

***'The objective of CECS... is to maintain and improve the efficiency, integrity and security of transactions within the EFTPOS and ATM networks'***

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ACN 055 136 519  
Level 24  
25 Bligh St Sydney  
NSW 2000  
Phone 02 9221 8944  
Fax 02 9221 8057

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## A strategic review of BECS

***'The workshop will provide APCA with a valuable understanding of the needs and preferences of direct entry users'***

APCA is reviewing its Bulk Electronic Clearing System (BECS) to help position it strategically. The review will involve researching the potential of the system to meet the evolving needs of consumers, business and government.

BECS encompasses direct entry credit and debit payments. Direct entry is a cost-effective way of processing high volumes of low value payments. These payments are bundled together for processing and settlement overnight. Payments such as health insurance premiums and rent on the debit side and wages and social security payments on the credit side are currently processed using direct entry.

### **Understanding needs and preferences**

At issue is whether – and how – BECS should be revamped so that it is able to handle a broader range of payments.

As part of the strategic review, APCA will host a one-day workshop in April to help identify the types of payments that BECS might support in the future.

Workshop participants will be drawn from the financial institutions that provide direct entry payment services and from a range of private and public sector organisations that use direct entry to make and receive payments. These organisations will include technology providers, telecommunications carriers, government agencies and large retailers.

The workshop will provide APCA with a valuable understanding of the needs and preferences of direct entry users. Combined with other research it will help ensure the most effective future role and direction for BECS. □

*There will be a report on the BECS Strategic Workshop in the next issue of Payments Monitor.*

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## Electronic Distribution of Documents

APCA has increased its use of electronic communication for receiving and distributing information to its members.

*APCA Clearing System Regulations and Procedures* – excluding a small number of confidential provisions – are now available to the public on APCA's website.

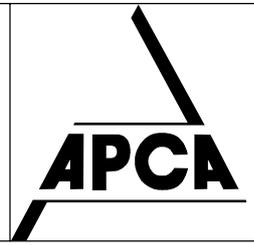
The *Regulations and Procedures* documents for three of the four clearing systems (BECS, CECS and HVCS) are now available on-line via the APCA extranet. The *APCS Regulations and Procedures* are expected to be available on-line towards the end of April. Access to the extranet is password protected, and is available to Directors,

members of Management Committees and Advisory Committees, and Operational Contacts.

Amendments to the *Regulations and Procedures* are also distributed electronically, instead of mailing out hard copy replacement pages.

Notices of processing difficulties and fraudulent activities involving cheques are now circulated to members electronically instead of by fax. □

# Advisory Councils: A Comparison



In a number of countries, non-clearing organisations are becoming more involved in payments clearing decision-making.

In the US, the National Automated Clearing House Association, or NACHA, which manages direct electronic payments (the equivalent of APCA's direct entry system) has capitalised on non-clearers' interest. It offers extensive income generating membership programs and educational services.

In the UK, last year's Cruickshank Report on *Competition in UK Banking* included a review of UK payment system governance. Among other things it suggested there could be wider stakeholder participation in payments system decision-making.

## Stakeholder councils

In Canada, a stakeholder advisory council has been in place in the Canadian Payments Association (CPA) for some years. The seeds of the council were sown from informal consultation on rule changes that started in the early 90s between the Canadian payments industry and its stakeholders.

In Australia the first Advisory Council was established in APCA in the second half of 1999. This was APCA's response to the expressed wish of its stakeholders in the payments process to be more involved in APCA through consultation in decision-making.

The advisory councils and management committees are together still exploring what works, what doesn't, and how best to take advantage of the councils' input. The only similar model to this is the Canadians', so it is worthwhile comparing the two.

## Direct representation

There is only one advisory council in Canada, which nominally reports to the Board of the CPA. The council's substantive work is done through direct representation on all working groups and

projects. The council's Chair or Deputy Chair has a direct role in identifying and inviting participation on working groups.

In contrast, APCA created multiple advisory councils, potentially one for each clearing system. Three are operating: in the paper, direct entry and consumer electronic systems. The outcome is the same as in Canada, with direct involvement in working groups and projects in each system. While this involvement is closely overseen by each council, the APCA structure requires greater facilitation, administration, and compliance than is required in Canada.

## Indirect input

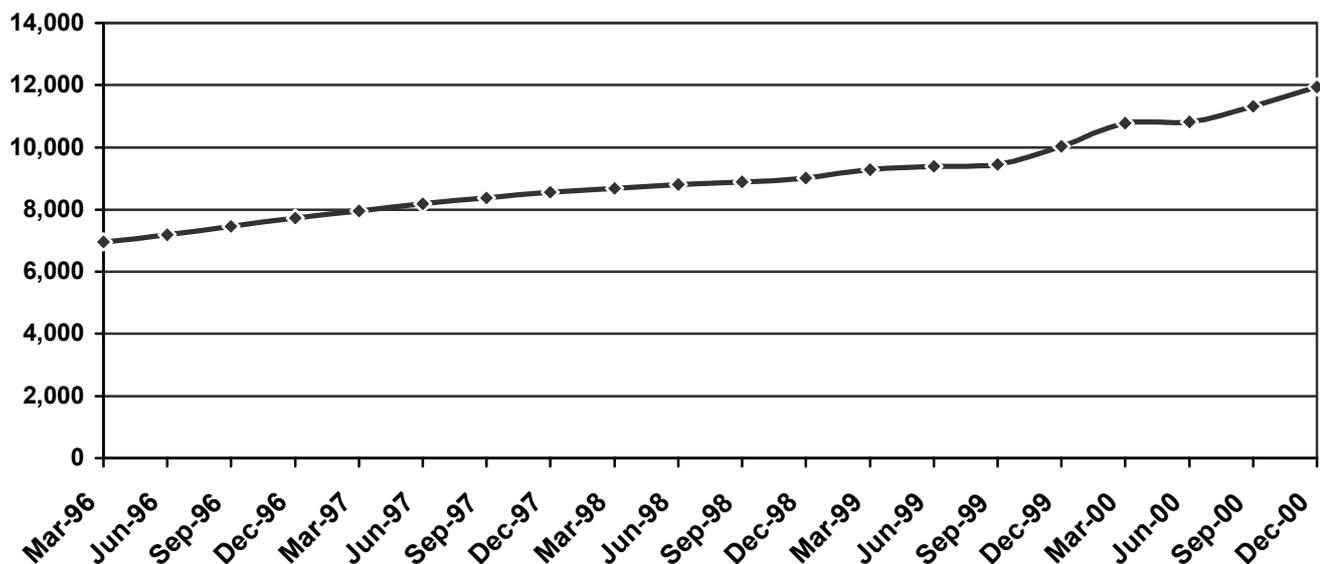
The Canadian advisory council members have a representative role, so they must be representative bodies. APCA has taken the opposite approach. Council members are specifically not treated as providing a representative view. The Australian thinking was that few of APCA's stakeholders had directly relevant industry associations, and it appeared that input would be quicker and easier to obtain from an industry player than from an association.

However, in Canada the potential problem of indirect input from associations is overcome by having a member of the association sit on a working group in a representative capacity. It's also interesting that one group of Canadian stakeholders formed an association specifically so that they could be involved in the CPA.

APCA will be monitoring and reviewing how well its arrangements are working. They were designed around APCA's governance model, but the Canadian approach can be taken into account if it seems beneficial. In the meantime, as experience helps refine arrangements for councils' input, their involvement in APCA decision-making is growing. □

***'The advisory councils and management committees are together still exploring what works, what doesn't, and how best to take advantage of the councils' input'***

**Number of ATM terminals in Australia 1996-2000**



## **International research guide now available**

*Payments information resources: an international research guide to sources of information on payments systems and instruments, 2001 (99 pages, ISBN 064640543 8).*

This reference guide has been compiled to help researchers identify publicly available information resources in the international payments market. Subjects covered include payments systems, devices and instruments, including ATMs, cards, cheques, direct entry, electronic funds transfer and interbank funds transfer systems. It con-

tains comprehensive lists of primary and secondary sources of information in print and electronic formats, including published literature (guidebooks, directories and journals), payments organisations, statistical data, terminology and web sites. Printed copies of this publication are available from APCA for A\$150.

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