

APCA to establish a cash clearing system

APCA is establishing a fifth clearing system, the Australian Cash Distribution and Exchange System (ACDES). ACDES will have responsibility for managing the rules governing the exchange of cash held to supply the community's needs.

Until 13 August notes and coins not in circulation were owned and managed by the Reserve Bank and held in more than 80 armoured carrier depots around the country. Cash ownership is now being progressively transferred to a number of banks. The transfer began in South Australia and the Northern Territory and is due to be completed on 22 October 2001 in Victoria and Tasmania.

New responsibilities

Financial institutions have long had responsibility for supplying cash to the community. A number of them will now become responsible for owning and managing the cash previously owned and managed by the Reserve Bank.

This extended responsibility will lie initially with the major banks and regional banks. They will operate within a framework which is being built as a set of regulations and procedures in line with those developed for APCA's existing clearing systems.

Cash exchange differs from the exchange of payment messages that underlie APCA's other clearing systems. Nevertheless, the business of exchange of value and the rules needed to underpin it are common in principle to all the systems. The new responsibility for APCA reflects our core competencies in developing and managing rules of exchange.

ACDES activities

ACDES's objective is to minimise the overall quantity of cash – because of its carry cost – while at the same time ensuring that the right amounts and denominations of cash are in the right place at the right time. The framework of rules will facilitate institutions with a shortage of particular denominations of cash in a particular geographic area being able to obtain cash from those with a corresponding surplus.

ACDES will oversee such things as minimum transaction quantities, documentation for transactions, hours of operations, the process and timing of settlement between members, the quality of notes, the packaging of notes and coin, allocating liability for late delivery and cash discrepancies, audit requirements and cash movements.

Establishment and membership

APCA aims to have ACDES in place by the end of the year. In the interim period, seven banks have each undertaken to comply with common rules providing a legal framework for engaging in cash exchanges under the auspices of APCA until that time. Several more are expected to do so.

APCA's new system will be open to all institutions wishing to join the system and which participate in the underlying activity ACDES encompasses. As in all APCA's systems, membership will be voluntary. Institutions may participate in the underlying activity without becoming a member of the system.

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Assessing advisory councils

‘Changes have been very worthwhile. Councils are becoming more involved in decision-making’

Advisory Councils offer opportunity for consultation between APCA’s participating members and a range of organisations indirectly involved in payments clearing. But it has always been recognised that it would take time to fully integrate councils successfully into APCA’s decision-making processes.

Significant progress has been made. Councils are now working in a much more integrated fashion with management committees than was the case 12 months ago.

Last year councils and management committees reviewed how they had been working together. The review clarified expectations and strengthened the consultative links between councils and management committees.

Through the review, councils identified the need to become involved in specialist working groups that report to the management committees. This involvement has since increased, and now provides an important avenue for early input into the decision-making process.

APCA recently surveyed council and committee members to find out how well this increased involvement was working and whether or not their expectations were being met.

The survey showed that the changes have been very worthwhile. Councils are becoming more involved in decision-making, there is more opportunity for advisory council representation on working groups, and management committees are finding useful the feedback councils provide about clearing system projects. The survey also showed that committee and council members value specific issues being referred to councils for their input and would like to see this happen more frequently.

APCA is working to ensure that there are further opportunities for interaction between council and committee members over the coming year. □

New procedures for cancelling direct debits

APCA has made changes to its rules for direct debit to clarify the process a customer can use to cancel a direct debit authority at their financial institution, which are applicable to cheque or savings accounts but not to credit card accounts.

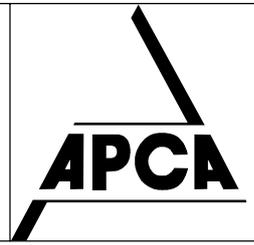
These rule changes were made promptly in response to some community concerns about the process for cancelling direct debits. Concerns were also raised in the recent issues paper released in the Review of the Code of Banking Practice.

As well as providing for customers to cancel directly by contacting the billing organisation concerned, the rules as they formerly stood allowed customers to cancel a direct debit authority by contacting their bank, credit union or building society. However,

the rules did not include a standard form for financial institutions to communicate a cancellation between themselves; that is, between the customer’s financial institution and the billing organisation’s financial institution. The changes to the rules remedy this and clarify the process to be used by a financial institution if contacted by a customer to cancel a direct debit authority.

Customers, of course, can still cancel directly with their billing organisation (eg insurance company, utility, or gymnasium). Billing organisations that use direct debiting should all have a process in place to help customers cancel their debit authority and should inform customers of this process.

The changes to APCA’s rules came into effect on 20 July 2001. □



Managing fraud risk

APCA has established a Fraud Committee to strengthen the way fraud risk is managed across its clearing systems. The committee will develop ways of managing fraud risk in payments instruments (such as debit cards) and in payments clearing in order to help maintain the integrity of each system.

APCA's fraud management measures have previously targeted the paper clearing system through a cheque fraud working group.

The new committee's responsibility is to identify fraud risk across all of APCA's clearing systems and to recommend cost-effective ways to manage such risk. The recommendations may relate to changes in clearing procedures or standards for payment instruments, and may go to the use of products to prevent, detect or manage fraud. The committee will also review proposals for major changes to payments

clearing arrangements to see if there are any implications from a fraud management perspective.

Managing fraud risk in both cheques and electronic banking is becoming increasingly important in overseas payments-related bodies. The American Bankers Association's *Deposit Account Fraud Survey Report* identifies the top 10 fraud prevention methods in banks and rates the effectiveness of cheque fraud prevention procedures. The UK's payments clearing body, APACS, has established an accreditation scheme for cheque printers aimed at tackling fraud in company cheques. The scheme tries to ensure that all cheques cleared in the UK are produced by accredited printers who have adopted stringent security standards. APACS also overviews procedures for preventing card fraud. □

'The committee's responsibility is to identify fraud risk and to recommend cost-effective ways to manage such risk'

APCA joins in ASIC round table

Direct debiting (see story, previous page) came under scrutiny in an issues paper released earlier this year in the Review of the Code of Banking Practice. In July, the Australian Securities and Investments Commission (ASIC) held a round table meeting of interested parties to clarify some of the issues and expectations raised in the issues paper about direct debit.

Those attending included APCA, organisations representing financial institutions, consumer groups and government regulators as well as a number of billing organisations.

While APCA's rules deal with processes for direct debiting, its role does not extend to a number of the broader issues raised by the Review, such as educating financial institution staff and educating customers about the nature of debiting from their accounts.

At the time of the round table meeting, APCA had already begun reviewing a

number of the issues raised about direct debit, in particular its cancellation processes and other potential consumer safeguards.

APCA will continue to liaise with the Reviewer of the Code of Banking Practice and with ASIC on a number of direct debit issues. □

Commonwealth Government payments

Commonwealth Government agencies now have the ability to put their direct entry business to competitive tender. Because Commonwealth agency direct credit files are structured differently from other files, APCA amended the BECS procedures to accommodate these differences.

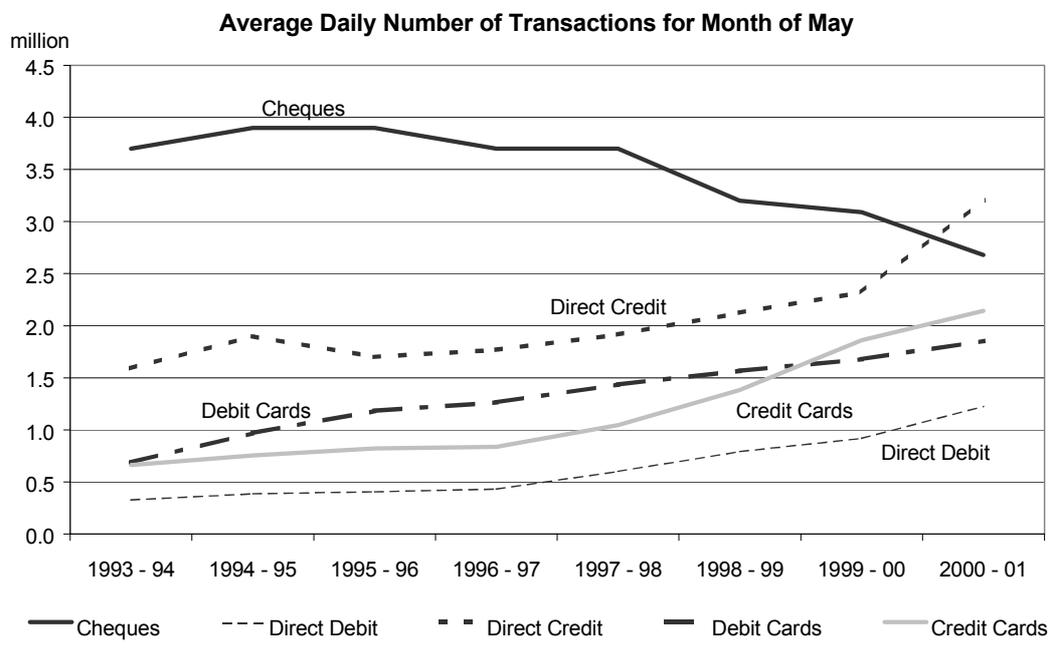
The amendments, which have been authorised by the ACCC, facilitate all BECS members being in position, if they wish, to tender for the business. The amendments become effective on 18 January 2002. □

Cheque use falls, direct entry rises

Cheques remain important but their use is falling. Over the past four years cheque payments have fallen in number by more than 25% and in value by around a third. The fall is more marked when measured against the strong growth in the number and value of payments made using credit and debit cards and direct entry.

Credit card payments over the same four years have more than doubled in number and tripled in value. Debit card payments increased in number by 46% and value by 66%.

In the past year, based on May figures, the number of direct debit payments increased by 36% and direct credits by 40%. The growth in the number of payments was in part a reflection of the increase in the number of organisations using the system. Over the year to end June, the number of billing organisations using direct debit increased by 27% and the number using direct credit by 14%. □



International payments guide on sale

Payments Information Resources: an international research guide to sources of information on payments systems and instruments, (2001, 100 pages, ISBN 0646 40543 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 contains 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 websites.

Copies of this publication are available from APCA for A\$150. Please order via our web site www.apca.com.au

Image interchange standards

APCA has developed standards for the non-time critical exchange of images of cheque items between APCA members. Members can use the standard to develop bilateral arrangements to receive electronically, in a batch file, images of their own cheques that have been captured by another member or service provider.

The standard recommends the use of two image formats (Group 4 TIFF for bitonal black & white images and JPEG for greyscale).

APCA's publication *Image Interchange Standards (Batch Exchange of Images)* is available for members on APCA's extranet. □



