

ACCC Re-authorisation for CECS

APCA typically seeks authorisation from the Australian Competition and Consumer Commission (ACCC) for its clearing systems arrangements and whenever trade practices issues are potentially triggered.

Recently APCA lodged an application to the ACCC for re-authorisation of its Consumer Electronic Clearing System (CECS). The existing authorisation, which was determined in August 2000, expires in September 2003.

The CECS arrangements cover rules and technical standards that apply to interchanges between organisations that “acquire” ATM and EFTPOS transactions and those that “issue” debit cards used in ATM and EFTPOS terminals. Authorisation by the ACCC enabled APCA to move forward in providing public benefit by maintaining and enhancing the integrity and efficiency of these interchange arrangements.

As the circumstances have not changed materially since the authorisation was first determined in 2000, the re-authorisation process is expected to proceed smoothly. However, should the re-authorisation not be determined by September 2003, APCA has requested an interim authorisation for at least 12 months.

In the course of making its application, APCA advised the ACCC that it had commenced investigating the potential for implementing new rules to facilitate direct access to the EFTPOS network by potential new entrants. Interim authorisation would allow sufficient time for APCA to complete this investigation.

Reference was first made to the possibility of APCA addressing EFTPOS access conditions in February 2003, in a separate

application to the ACCC, by a number of organisations seeking authorisation of an EFTPOS interchange pricing arrangement. In response, APCA established a working group, drawn from members of CECS together with representatives from the CECS Advisory Council, to test the feasibility of and to make recommendations on developing EFTPOS access rules. A first ‘workshop’ meeting of the Working Group was held at APCA’s offices on 30 April and a second on 21 May 2003.

Whether the investigation results in the development of EFTPOS access rules is uncertain at this formative stage. It is too early to say whether it will prove feasible to develop such rules for an EFTPOS network that is essentially bilateral in nature. There may be significant obstacles to implementing access rules and APCA would not want to raise expectations that such rules necessarily are practicable. If they were developed, however, APCA would assess their trade practices’ implications in consultation with the ACCC.

With or without new access rules, the CECS arrangements, as they stand, provide significant public benefit. The community uses EFTPOS and ATMs on a daily basis to make purchases and to conduct routine banking transactions. CECS establishes leading practice clearing standards to maintain and enhance the integrity and efficiency of the ATM and EFTPOS networks. The networks operate effectively because participants operate in accordance with these common technical and operational standards.

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Device Evaluation Facility

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APCA has initiated a project to consider the feasibility of establishing one or more device evaluation facilities to assess the security features of ATMs, EFTPOS and Security Control Module devices before they are deployed in the network.

All devices deployed by members of the Consumer Electronic Clearing System (CECS) must satisfy security standards set-out in the CECS Manual. Certified devices, or the devices that have met the required standard, are listed in the Manual.

At present, when a member wishes to deploy a new device that has not been certified, or to substantially modify or upgrade a device that has been certified, that member must carry out a self-certification of the device to ensure it meets the required security standards.

Often members' specifications for a particular device vary. In such cases, each member is required to complete the self-

certification process. A single device may undergo multiple evaluations as a result.

If a device evaluation facility were to be implemented, multiple evaluations and self-certification of devices would no longer be necessary. Rather, suppliers would be encouraged to submit their devices to the facility for comprehensive evaluation and certification, prior to approaching individual members.

As part of the project, APCA will develop a concise, transparent and robust methodology for assessing new, and upgraded, devices. A Working Group comprising representatives of the Standards Sub-Committee, the Technical Security Working Group and nominated suppliers from the CECS Advisory Council has been established.

New Program Management Approach

Recently APCA enhanced its project management methodology to include a “program management” approach. The driver for this initiative was the significant increase in the number of projects planned within the Consumer Electronic Clearing System (CECS) for the coming year.

APCA has a strong track record in managing industry projects. The new approach is a natural progression for APCA's proven project management methodology and follows discussions of the CECS Advisory Council. The Council surmised that such an approach could provide consistency and enhance coordination across projects.

The new approach was formalised in June 2003, with the establishment of the CECS Program Management Steering Committee. The role of the Steering Committee is to oversee the progress of projects, to address project risk and issues, and to ensure a level of coordination between projects, particularly where there are interdependencies.

The Steering Committee's initial scope of work includes the ATM/EFTPOS Upgrade, EMV Standards, Device Evaluation, CECS Manual Review and EFTPOS Access projects.

Payments Fraud Mitigation

APCA is extensively involved in industry actions to mitigate payments fraud.

APCA's Fraud Committee, which was established in 2001, has a specific role to identify and mitigate fraud in APCA's payment systems. Currently, particular focus is being given to cheque and debit card fraud. Two fraud risk assessment working groups have been established to concentrate on these respective areas.

Potential fraud risks at each stage in the "life cycle" of a cheque and a debit card are being identified and subsequently assessed to determine the likelihood and impact of the fraud occurring. Fraud assessed as high risk will be the primary focus of risk mitigation strategies.

This rigorous process will provide a baseline structure to enable ongoing monitoring and review of fraud risk. It will assist in assessing the effectiveness of mitigation strategies and identifying emerging trends particularly where there is a change in process for the production, distribution and use of cheques and debit cards.

To ensure that industry efforts to mitigate card fraud are coordinated, APCA has invited the card schemes (MasterCard, Visa and Bankcard) to attend its July Fraud Committee meeting. The card schemes have been invited to share card fraud information and to contribute to the debit card fraud assessment working group by providing their investigations expertise.

APCA is also taking an active part in industry groups and other wider forums focussed on fraud prevention.

APCA is a member of the Australian Bankers' Association's (ABA's) Fraud Taskforce along with AUSTRAC, the card schemes, IAG, Australian Federal Police, Police Fraud Squads from each state and the Transnational Crime Coordination Centre (Justice & Customs Dept.). This taskforce has identified skimming, stolen identity and Internet fraud as the major threats currently facing financial institutions and work is being undertaken to mitigate these risks.

Earlier this year, APCA took part in the ATMIA (ATM Industry Association, Australasia) meeting to consider the ATM frauds perpetrated at that time. Participants agreed that there was a need for greater self-regulation of the ATM industry to maintain consumer confidence in ATMs.

More recently, APCA (together with representatives from the card schemes, the ABA, Australian Crime Commission, the Attorney General's Department and other government agencies) met with Senator Chris Ellison, Minister for Justice & Customs to consider initiatives to deal with card skimming and identity fraud.

The Minister welcomed initiatives by government and industry aimed at countering such fraud. A national approach to the improved collection, analysis and dissemination of intelligence on skimming and associated frauds and the development of further intelligence links between industry and law enforcement was supported by the meeting. APCA intends to work closely with the Australian Crime Commission on the sharing of payments fraud data.

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New Cheque Printing Guidelines

Cheques and deposit forms are printed on special paper and encoded with MICR (Magnetic Ink Character Recognition) characters to facilitate processing by imaging, reading and sorting equipment used by financial institutions and to help reduce fraud.

Two specialist publications, *Design Specifications for Cheques and Deposit Forms* (Publication 11.5) and *MICR Magnetic Ink Character Recognition* (Publication 3.3), have been published by APCA from the time the paper clearing system was first established in 1993. These are, by necessity, publications that contain a good deal of technical information.

As more companies and service bureaus seek to personalise their own cheques, it is important that they are aware of the design, printing, and quality control standards associated with the production of cheques. Recognising this, APCA has produced a new set of cheque printing guidelines, offering a non-technical introduction to the requirements.

There are three guidelines in the series.

The *Guidelines for Personalising Cheques* provides a general overview of cheque design and printing requirements.

Companies and service bureaus wishing to do their own MICR encoding should find helpful information in the *Guidelines for MICR Encoding Cheques*. The guidelines provide approval processes and requirements associated with the printing of the MICR code-line. This document offers some guidelines for paper handling to optimise the performance of laser printers used for encoding the MICR characters.

The *Guidelines for Paper Used for MICR Encoding* is intended for commercial printers interested in producing MICR encoded documents for the first time. It offers some helpful suggestions for the selection, printing, handling and storage of paper used in MICR applications.

The three guidelines complement the cheque design considerations and MICR requirements published in Publication 11.5 and Publication 3.3.

APCA Publications

The following publications can be downloaded from the APCA website www.apca.com.au.

Guidelines for Personalising Cheques
Guidelines for MICR Encoding Cheques
Guidelines for Paper Used for MICR Encoding
Design Specifications for Cheques and Deposit Forms (Publication 11.5)
MICR Magnetic Ink Character Recognition (Publication 3.3)
Direct Debit Style Guide and Logo
Standard Inter-Organisation Compensation Rules