APCA

PaymentsMonitor

EFTPOS access

APCA's project to develop practicable and equitable EFTPOS access rules is running to schedule.

APCA commissioned the legal firm Gilbert and Tobin to assist in developing access rules in October of last year. This has been key to the progress being made.

A step-by-step approach

EFTPOS arrangements do not lend themselves easily to the development of access rules. There is not one or two provider(s) of a well-defined service and a number of known access seekers as is the norm for access regimes. Instead, most participants in EFTPOS are to some degree and some extent access providers. The services being provided are varied and require close definition. It is not immediately clear who the access seekers are and exactly what it is that they require in terms of access. Against this backdrop it has been essential to take a disciplined step-by-step approach to the development of access rules.

As a first concrete step, following a lengthy period of open discussion and engagement with stakeholders, the current EFTPOS arrangements were documented in a report. The report was based in large part on individual discussions with representatives of each of the institutions represented on the EFTPOS Access Working Group (EAWG).

The EAWG has representatives from all fifteen members of APCA's Consumer Electronic Clearing System (CECS) together with representation from the retail and oil sectors and a representative from First Data International.

Engagement with stakeholders has been, and will remain, a central component of APCA's EFTPOS access project.

'Parameters report' clarifies direction

The second important step has been the production by Gilbert and Tobin in consultation with APCA of a 'parameters report'. The report on current access arrangements identified and defined three key services to which access rules would apply.

They were:

• physical connection and switching;

• clearing; and

• settlement.

The 'parameters report' examined a range of alternative answers for the following questions:

• Which participants should have access obligations under the new regime? How should they meet these obligations?

• What is the scope of the obligation to give direct access to a key service? When should access seekers be entitled to have direct access to a key service? When should access seekers be entitled to have indirect access to a key service?

• What is required to implement the new access regime?

Changes to APCS Regulations

APCA recently conducted a review of its paper clearing system (APCS) regulations to ensure they are in alignment with the amended Constitution and to make Participating Membership more open and inclusive.

A primary focus of the review was to examine the qualifications for membership of the APCS. This will result in a number of changes to membership eligibility criteria and entrance fees.

Membership eligibility criteria

Membership criteria in the APCS have been based on the 'provider of payments services' model, which has in effect restricted membership to financial institutions. This model will be replaced with one based around 'Issuers' and 'Collectors'.

This major change to membership criteria will open the system to all organisations that 'issue' or/and 'collect' cheques, travellers cheques, money orders and other eligible paper based payment instruments.

Moreover, it will effectively 'de-institutionalise' membership. Like CECS, APCS membership will be based on what organisations do rather than on their institutional status.

Entrance fees

The current entrance fee provisions will be changed by removing the provision for payments to initial APCS members. Instead, all new Participating Members will pay a set entrance fee of $5,000 (CPI indexed) to defray APCA's administrative costs incurred in admitting a new member.

The proposed changes have been approved by Participating Members at the APCS annual meeting and by the Board. APCA is currently assessing the trade practices' implications of the new rules and if appropriate, will apply under section 91C of the *Trade Practices Act* for revocation and substitution of its authorisations in relation to the APCS Regulations. However, any application would only be in respect of certain nominated provisions of the APCS Regulations and not for the whole Regulations and Procedures. Once trade practices issues have been resolved the new rules will be made effective. ▲

BECS Regulations

Work will begin shortly to review and amend the Bulk Electronic Clearing System (BECS) Regulations to bring them into line with the changes made to APCA's Constitution and to the APCS Regulations. The objective is to ensure that all of APCA's clearing system regulations have functional rather than institutionally-based membership criteria.

Direct Debit Requests (DDRs)

Rules governing direct debits are contained within the BECS Regulations and Procedures. Part of these rules, dealing with the authorities provided by customers to directly debit their accounts (Direct Debit Requests or DDRs), are subject to separate authorisation by the ACCC. That authorisation expires on 16 August this year. APCA does not intend to seek reauthorisation in so far as none of the rules breach the *Trade Practices Act*.

DDRs over the Internet

As referred to in the last issue of *Payments Monitor*, more and more businesses (which are approved Debit Users) are establishing DDRs for their customers over the Internet. To minimise the risk of fraud to Debit Users, APCA has taken a pre-emptive approach and published guidelines that highlight the importance of satisfactorily identifying customers over the Internet and that provide practical recommendations for securely establishing DDRs in this way. *'Guidelines for Establishing DDRs over the Internet'* is now available at www.apca.com.au. ▲

Payments fraud prevention initiatives

As mentioned in the 2nd quarter 2003 *Payments Monitor*, APCA has been assessing the likelihood of fraud occurring in each of its clearing systems. Part of this process has been to identify each type of fraud possible and then consider strategies to combat that fraud.

Cheque Fraud Prevention

In APCA's paper clearing system (APCS), an area for improvement was identified in the education of business customers by providing a guide to cheque fraud prevention.

APCA is developing a generic 'best practice' brochure to raise awareness of the potential for cheque fraud and ways it can be prevented.

The brochure is aimed primarily at financial institutions' business customers and will cover a number of fraud prevention practices, such as best practices for issuing and reconciling cheques, physical security of cheques and mail fraud mitigation strategies.

Development of the cheque fraud prevention brochure is being progressed in two phases. A small working group, drawn from APCA's Fraud and APCS Management committees, is working on the first phase, which involves developing the content and assessing members' levels of interest for a number of alternative production methods. If members' preference is for a printed format, phase two will focus on actually producing and distributing the brochure.

Identity Fraud Prevention

A growing area of fraud both within Australia and internationally is that of 'identity fraud'. A recent SIRCA report estimated the costs of this type of fraud to Australia in 2001-02 to be $1.1 billion.

A common way for identity fraud to occur is when a perpetrator assumes a false identity of a fictitious person or else 'steals', usually through forgery, the identity of a genuine person and then uses this personal information to open accounts or obtain loans.

APCA is investigating the possibility of producing a pack containing a series of 'best practice' guidelines to assist staff within APCA's members, and perhaps other relevant organisations which are customers of APCA's members, when opening accounts and verifying identity documents. It is envisaged this pack would contain detailed images of 'primary' identity documents (eg birth certificates, passports, drivers' licences) as well as recommend processes to follow in the event such documents, when presented, were suspected to be fraudulent. While this type of informative material is already in use, a generic 'identity fraud pack' would assist in ensuring there was a consistent and best practice approach adopted towards preventing identity fraud.

Recently, the Australian Federal Government released an identity fraud prevention kit *('ID Theft – A kit to prevent and respond to identity theft')*, to help the general public identify where they might be vulnerable and how to avoid becoming an identity theft victim.

The Government's kit has a different purpose to APCA's proposed pack and is aimed at a much wider audience. However, APCA is mindful not to duplicate aspects of this, or any other proposed, work and will be liaising with government departments and with the Australian Bankers Association in this respect. The objective is to produce a pack primarily for use by APCA's members that will complement other material and information designed to prevent identity fraud.

APCA is currently assessing the benefits, costs and feasibility of publishing, distributing and maintaining such a comprehensive information pack. Whether APCA proceeds with its production will depend on the results of this assessment. ▲

An EAWG meeting took place on 29 January to discuss the 'parameters report' and, so far as possible, to narrow down the range of alternative answers.

The meeting was successful in producing a broad consensus in terms of significantly narrowing the alternative answers and thereby providing better clarity on the way to proceed.

The next stage of the project is building towards the development of optional access regimes. A firm of economic consultants has been recently commissioned to assist with this and in particular to assist in getting to grips with the economic issues involved.

CECS Manual
Running by the side of the EFTPOS Access project, and integral to its finalisation, is a project to review, update and reconstruct the CECS Manual. The Manual is a technical document covering the operational, security and message standards underlying interchange between debit card Acquirers and Issuers.

One of the principal objectives of the project is to ensure that the Manual is complete in covering all of the technical matters that need to be contractually determined between Acquirers and Issuers.

Another is to eliminate, so far as possible, optional ways of doing things to ensure there is a uniform set of standards. A third is to structure the Manual so that it can be referred to without ambiguity by potential Acquirers and Issuers in respect of the applicable technical standards they must meet to operate in the debit card arena. ▲

CECS Management Committee expanded

Changes to clearing system regulations have been made to provide for two discretionary seats on each management committee.

Following these changes, payment services provider Cashcard Australia has joined retailer Coles Myer in occupying a discretionary seat on the CECS (Consumer Electronic Clearing System) Management Committee.

Discretionary seats provide the opportunity for participants otherwise unrepresented, because they singly or collectively account for insufficient transaction volume, to be represented on management committees. ▲

APCA Statistics – 4th Quarter 2003

Number of ATM & EFTPOS Terminals in Australia (as at December)		
	Terminals	
Year	ATM	ETFPOS
2002	19,597	428,063
2003	**21,157**	**456,865**