



CONNECTIONS & COLLABORATION

APCA Annual Review 2016



Australian Payments
Clearing Association



[Click here to return to Contents](#)

CONTENTS

Chair and CEO Message	3
Snapshot	4
Highlights	6
The Australia Payments Environment	7
Driving Payments Evolution	10
Positioned for the Future	14
Engaging with the Community	18
Decision Making	22
Glossary & Contact	29

THE AUSTRALIAN PAYMENTS CLEARING ASSOCIATION HAS BEEN AT THE HEART OF THE AUSTRALIAN PAYMENTS SYSTEM FOR CLOSE TO 25 YEARS.

As a member organisation and industry association, we have grown to represent the needs of a diverse set of stakeholders, as the payments system itself has evolved. With a clear understanding of the requirements of a digital economy, we are the home for collaboration and cross industry innovation.

In our role as self-regulatory body for payments, we bring rigour to the application of existing regulation and an inquisitive, front-footed approach to supporting the requirements of the emerging payments landscape.

APCA HAS 103 MEMBERS INCLUDING AUSTRALIA'S LEADING FINANCIAL INSTITUTIONS MAJOR RETAILERS, PAYMENTS SYSTEM OPERATORS AND OTHER PAYMENTS SERVICE PROVIDERS.

A full list of our members is available on [page 28](#).

This Annual Review is designed to provide our members and stakeholders with a summary of what was achieved in financial year 2015-2016. References in this report to a year are to financial year ended 30 June 2016 unless otherwise stated.

CHAIR AND CEO MESSAGE

The Australian payments landscape has never been more vibrant and it's for this reason that we have chosen the theme of 'connections and collaboration' for our annual report this year. As the number and nature of participants grows and diversifies, so does our role, requiring us to be nimble in outlook and collaborative in focus.

In the last 12 months we have laid the foundation for our more connected future through a number of important initiatives. Whether giving rise to the next generation of commerce, shaping the New Payments Platform, ensuring the next wave of innovation, or supporting the Australian Payments Council, APCA has been at the forefront of change.

In addition to these high profile projects, we are actively working on the evolution and smooth operation of our stalwart payment systems. Our working groups and forums are helping industry to manage the risks and opportunities associated with new technology, new channels and new distribution models. The recently formed Issuers and Acquirers Forum is proving to be a productive venue for industry to tackle a range of issues, from supporting the safe introduction of new point of sale technology, to preventing card fraud.

"ON BEHALF OF THE BOARD OF DIRECTORS, I EXTEND A WARM WELCOME TO LEILA FOURIE, WHO JOINED US AS APCA'S NEW CEO ON 12 SEPTEMBER 2016. I WOULD ALSO LIKE TO THANK CHRIS HAMILTON FOR HIS CONTRIBUTION DURING HIS TIME AS CEO." Robert Craig



Robert Craig, Chair

Leila Fourie, CEO

Moreover, with a focus on integration, we are looking at new application areas such as public transport, to support the growing desire for seamless and secure payments. We are keenly aware that the customer experience is a strong driver of change and that this preference for integrated payments draws us away from hardware and devices to software and the cloud. Accordingly, our policy and strategy teams are working to help shape the frameworks required to underpin our more connected future. This is well evidenced by our response to the Productivity Commission's inquiry into data availability and

use. We developed our submission in consultation with a wide range of payment data stakeholders and our response was positive and forward looking in approach.

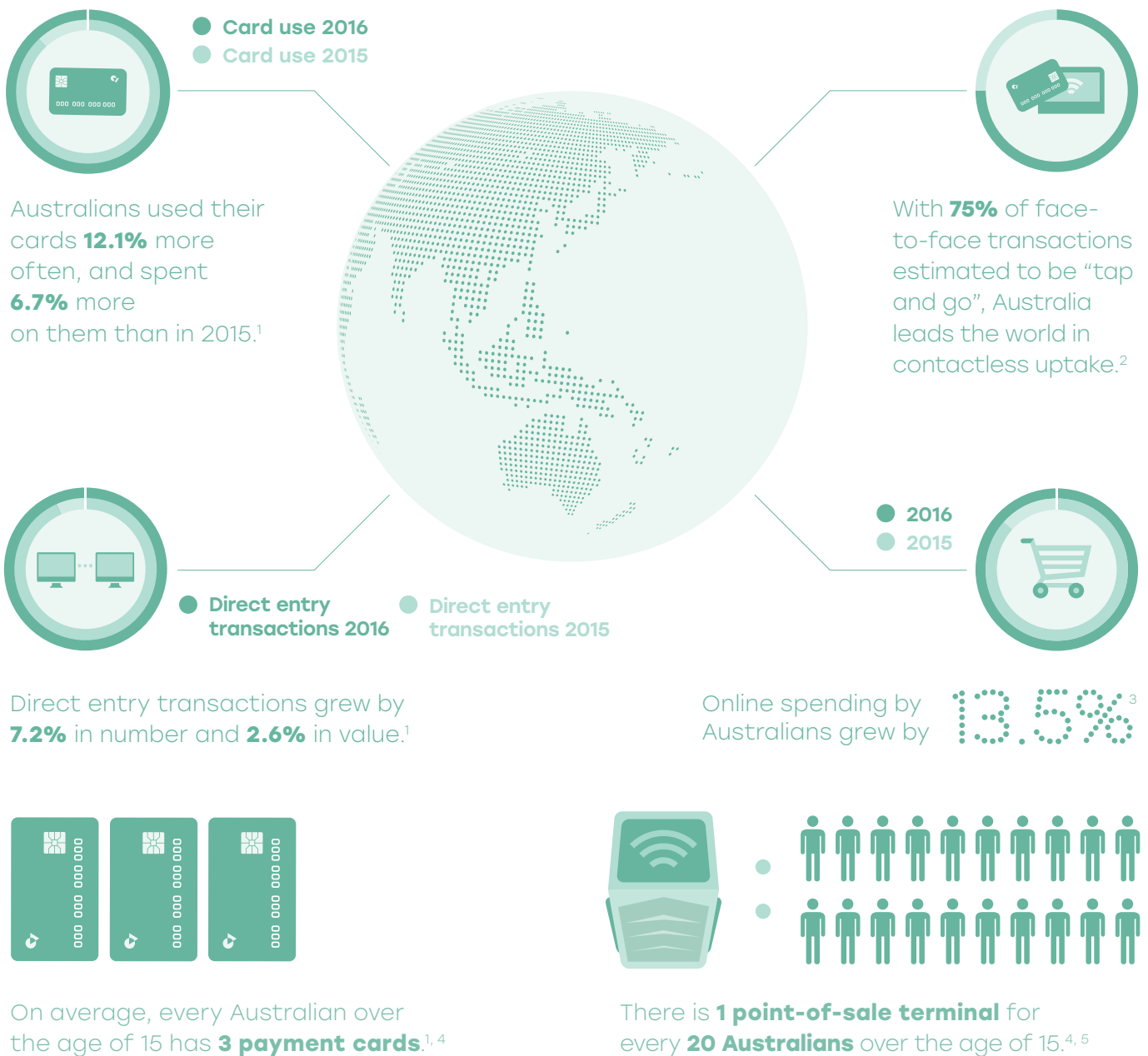
We also sense a growing international relevance, as the payment habits of Australian businesses and consumers become more digital, and we're excited about the opportunities that this presents. This year we've invested time understanding the potential that technology such as blockchain and APIs present for integration, both locally and with global partners and we look forward to building on this groundwork.

We would like to extend a heartfelt thanks to the APCA staff and the board of directors for their support and contribution to the milestones achieved over the past year. For those of you with whom we already work closely, thank you for another year of collaboration. If you're one of the organisations that we've yet to connect with, we look forward to learning from you and to welcoming you to one of our programmes.

SNAPSHOT

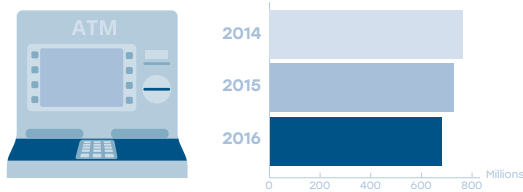
This has been a landmark year for Australia's digital economy. With accelerated adoption of electronic payment methods, fewer cash and cheque transactions and increased support for Fintech organisations, we're at the forefront of a global trend.

AUSTRALIA IS ONE OF THE MOST DIGITALLY ACTIVE NATIONS IN THE WORLD.

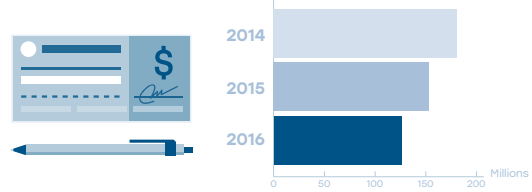


Source 1 Reserve Bank of Australia; 2 Visa; 3 NAB Online Retail sales Index; 4 Australian Bureau of Statistics; and 5 APCA

THE DECLINE IN CHEQUES AND CASH IS ACCELERATING.



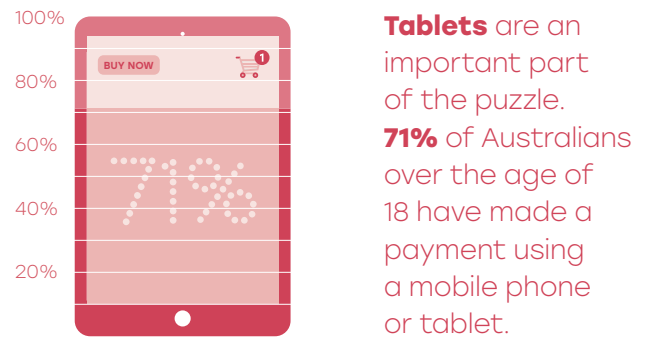
ATM withdrawals dropped by **6.6%**, compared to **4.9%** in 2015.



Cheques use dropped by **17.2%**, compared to **15.7%** in 2015.

Source Reserve Bank of Australia

MOBILE PAYMENTS ARE ON THE RISE.



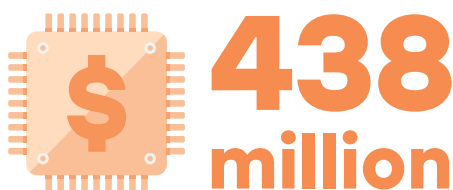
Source PayPal Australia

INVESTMENT IN FINTECH CONTINUES TO GROW.

Fintech formed its industry peak body Fintech Australia and has over

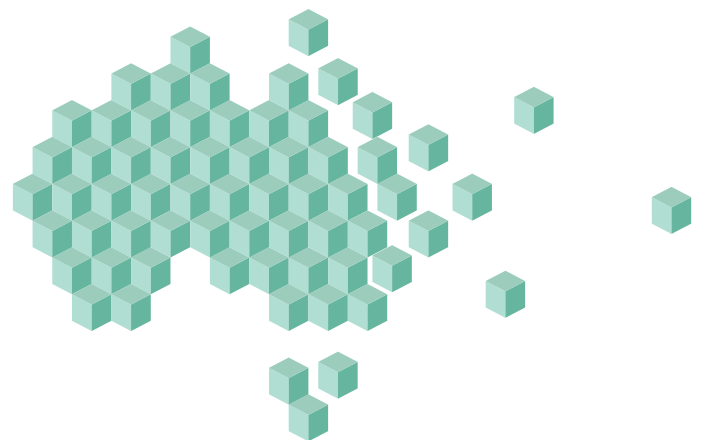


Investments in the Australian Fintech market totalled



Source Fintech Australia

AUSTRALIA IS LEADING THE WORLD IN BLOCKCHAIN TECHNOLOGY




Standards Australia is leading the global blockchain standardisation initiative.

APCA is participating in an industry-wide shared ledger technology prototype.

HIGHLIGHTS

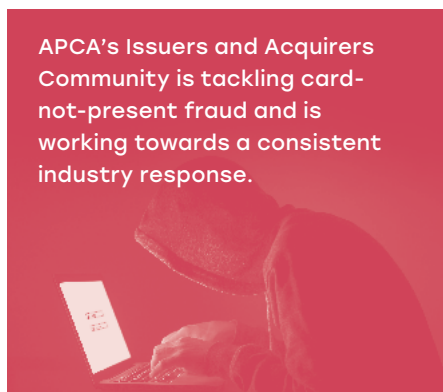
We're proud to have played a leading role in key industry initiatives this year.



The New Payments Platform has moved from the “design and elaborate” stage to “build and internal test”. NPP Australia selected BPAY to provide the first overlay service and appointed its inaugural CEO, effective September 2016.



The Australian Payments Council published the Australian Payments Plan to provide strategic direction for the payments industry. The industry is working collaboratively across three key areas: Trust and Security, Managing the Payments Mix, and Enabling the Future.



APCA's Issuers and Acquirers Community is tackling card-not-present fraud and is working towards a consistent industry response.



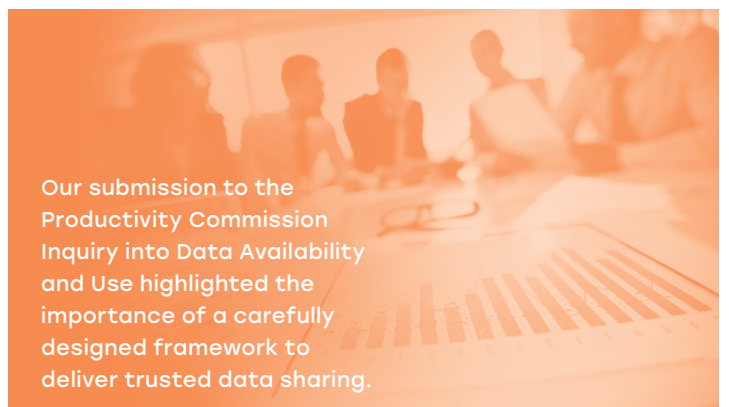
The Reserve Bank of Australia is issuing new banknotes for the first time in 25 years, with tighter security features, a tactile feature to help the vision-impaired and a world first design.



A new set of voluntary industry guidelines helps card issuers manage security risks associated with mobile payments and digital wallets.



The NSW Government has announced a trial using contactless payment cards on public transport. The industry is developing a framework to support the use of debit cards and credit cards for transit.



Our submission to the Productivity Commission Inquiry into Data Availability and Use highlighted the importance of a carefully designed framework to deliver trusted data sharing.

THE AUSTRALIAN PAYMENTS ENVIRONMENT

The changing payments landscape is clearly reflected in our increasingly digital payments mix. This year, consumers and businesses have consistently chosen cards and electronic payment methods over cash and cheques.

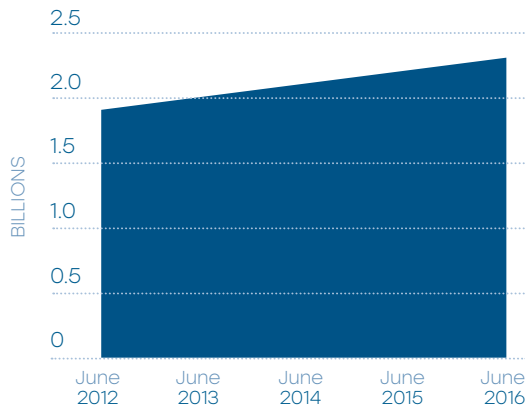
Direct entry

The direct entry system supports electronic payments for millions of businesses and consumers. Common examples of direct credits are salary payments, wages and benefits. Direct debit is often used for ongoing payments like mortgage repayments and utility bills.

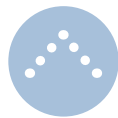
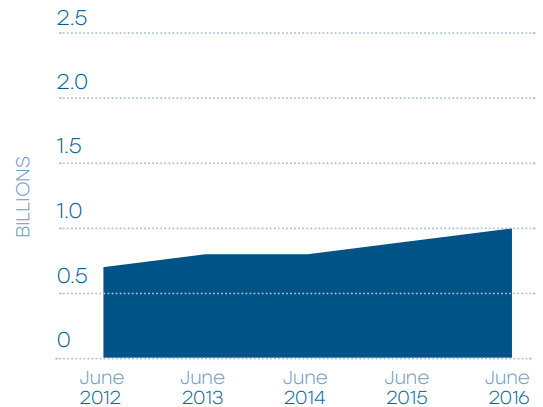
This year, there were over 3.3 billion direct entry (direct debit and direct credit) transactions, a 7.2% increase on the previous year. The total value of direct entry transactions grew 2.6% to \$14.4 trillion.

Number of Direct Entry Transactions

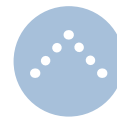
Direct Credits



Direct Debits



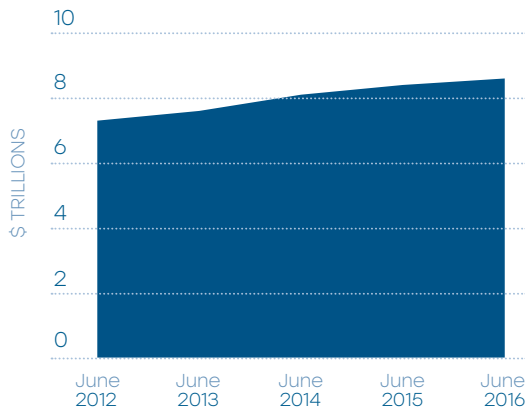
5.6%



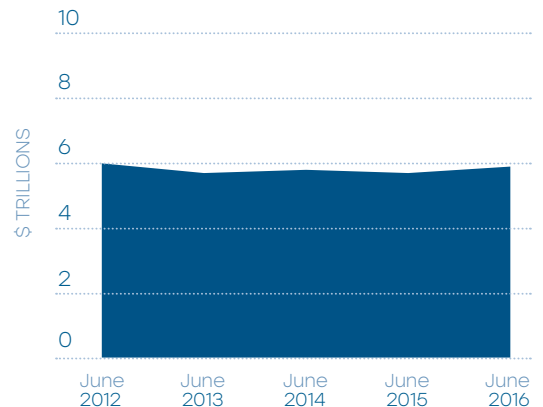
10.9%

Value of Direct Entry Transactions

Direct Credits



Direct Debits



2.2%



3.1%

Source Reserve Bank of Australia—www.rba.gov.au

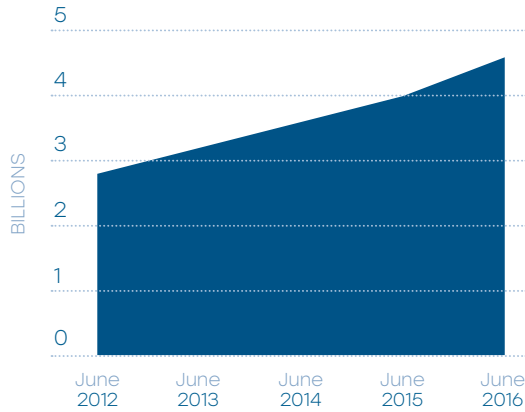
Debit cards

Debit cards at point-of-sale in Australia continue to grow strongly, with a 13.3% increase in number, and 8.9% increase in value this year.

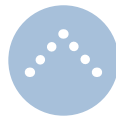
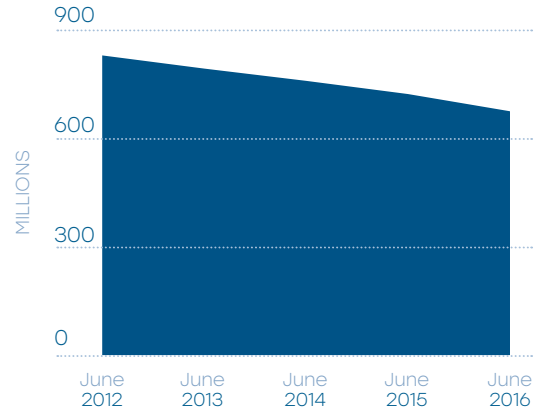
In contrast, ATM withdrawals are in steady decline, likely due to the strong use of “tap and go” cards at point-of-sale. The number and value of ATM withdrawals dropped for the fourth consecutive year. ATM use dropped by 6.6% and the value of withdrawals by 2.4% on the previous year.

Number of Debit Card Transactions

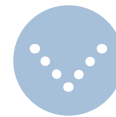
POS Terminal Transactions



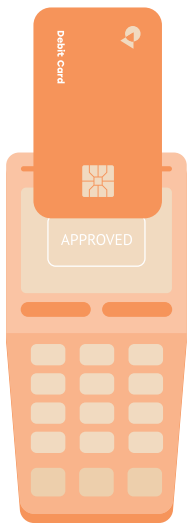
ATM Withdrawals



13.3%

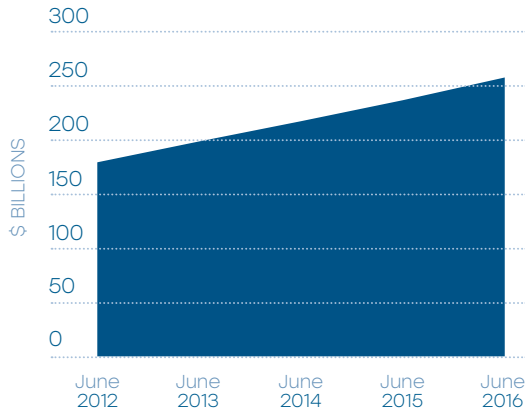


-6.6%

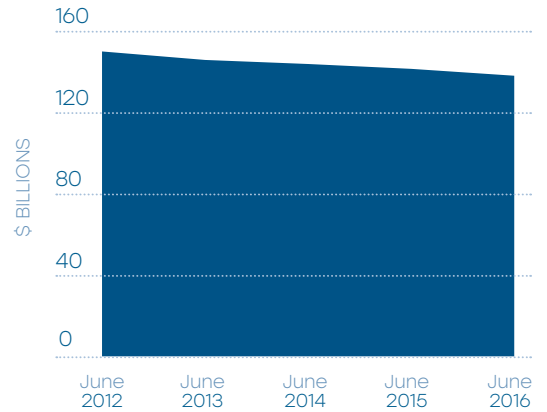


Value of Debit Card Transactions

POS Terminal Transactions



ATM Withdrawals



8.9%



-2.4%

Debit cards at point-of-sale continue to grow strongly, increasing **13.3%**

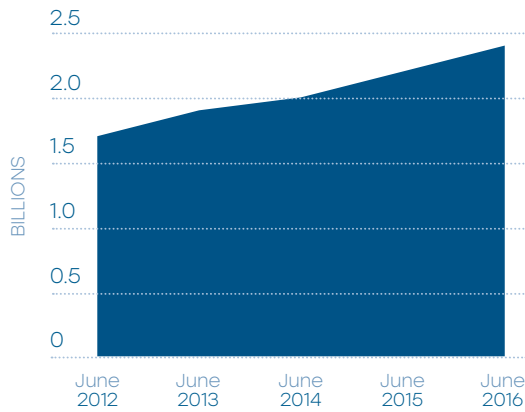
Source Reserve Bank of Australia—www.rba.gov.au

Credit cards and charge cards

Credit card volumes increased by nearly 9.8% this year, the strongest increase in the last decade, and a likely reflection of consumer confidence. Similarly, credit card values grew by 5% this year to \$310 billion, up from \$295 billion in 2015.

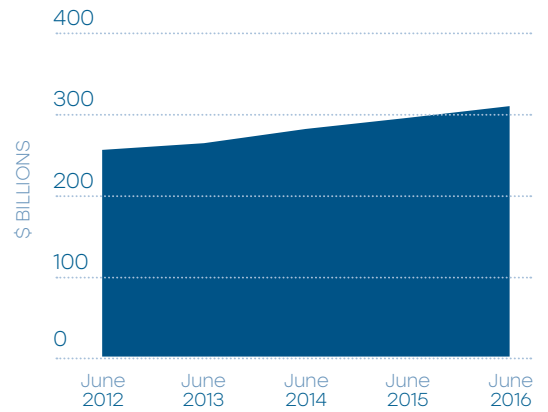
Number of Credit / Charge Card Transactions

Purchases and Cash Advances



Value of Credit / Charge Card Transactions

Purchases and Cash Advances

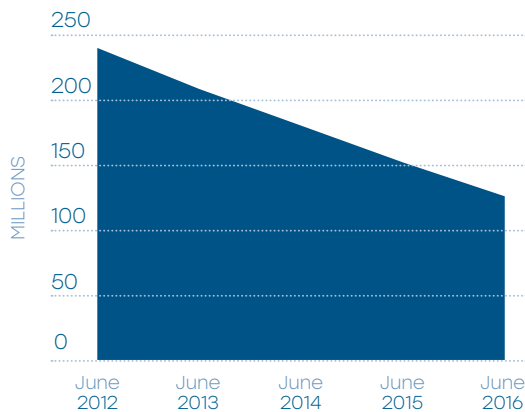


Source Reserve Bank of Australia—www.rba.gov.au

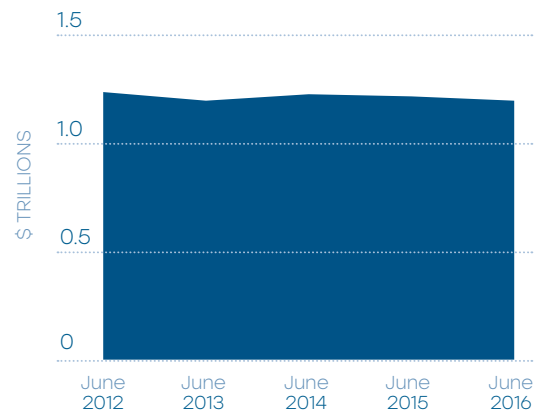
Cheques

The decline in cheque use is accelerating, dropping 17.2% this year, compared to 15.7% in 2015. Since 2006, the number of cheques written annually has fallen by 73%. Cheque values dropped by 1.8% this year, compared to 0.9% in 2015. This is likely to recent initiatives such as PEXA, for online property settlement, and Superstream for superannuation payments, which are replacing cheques for these payments.

Number of Cheques



Value of Cheques



Source Reserve Bank of Australia—www.rba.gov.au

Since 2006, cheques written annually have fallen by **73%**



DRIVING PAYMENTS EVOLUTION

In this rapidly changing environment, industry collaboration is pivotal to ensuring the evolution of a secure and convenient payments system.

As a facilitator of group decision-making, APCA brings together a wide range of stakeholders on a daily basis. Together, we develop, implement and operate effective standards, policies and procedures to support innovation.

This year has seen significant consultation with regulators, financial institutions, domestic and international card schemes, technology providers and new entrants on a range of topics.

Digital Wallets

Digital wallets are an emerging payment method, and with Australia's high prevalence of contactless payments and smartphones, usage is expected to increase significantly in coming years. In May 2016, we published a set of voluntary industry guidelines to assist card issuers who are considering offering third party digital wallet services. The APCA *Third Party Digital Wallet Security Guidelines* provide a statement of industry best practice and a frame of reference for managing potential fraud and data security risks. These guidelines address three key issues: security (customer identification and authentication), tokenisation, and compliance with the Privacy Act.

Contactless Payment on Public Transport

Many transport authorities worldwide are replacing their proprietary ticketing cards (like Sydney's Opal system) with contactless payment cards. The main benefit for commuters is convenience. With an "open loop" system, commuters can use a card they already own, their smartphone or a wearable to tap on and off transport. This year, the NSW Government announced it would begin trialling contactless payment cards on Sydney transport in 2017. APCA is developing an industry framework for how cards, phones and wearables can be used on Australia's public transport system. Once complete, the framework will be shared with transport authorities to assist their implementation.

Supporting new technology

New technology is changing the purchase experience and APCA works with suppliers to ensure that payment acceptance devices meet best practice security requirements. For example, in December 2015, the Issuer and Acquirers Community (IAC) approved a secure 'PIN on glass' mobile acceptance device; consumers can tap their PIN into an approved tablet style device to authenticate payment. The IAC is actively developing a process for evaluating innovative technologies to ensure timely and appropriately secure support. APCA's device evaluation plays an important role in ensuring the security and integrity of ATMs, point-of-sale (POS) and other PIN entry devices used in Australia.

COMMUTERS WILL BE ABLE TO USE A CARD THEY ALREADY OWN, THEIR SMARTPHONE OR A WEARABLE TO TAP ON AND OFF TRANSPORT.



Fraud prevention

Payments fraud prevention remains a key priority for the industry. Major areas of focus involve chip technology, card-not-present fraud and working closely with law enforcement.

Chip technology

Chip technology, together with the use of PIN, continues to provide strong protection for face-to-face fraud, with domestic counterfeit / skimming fraud dropping 10% in 2015 to \$22.9 million. Australia has had chip at point-of-sale terminals and on most cards since 2014, and is now moving to chip-reading at ATMs. During the year, we continued to track the industry's roll-out of EMV at ATMs ahead of the liability shift at the end of 2016. Full chip technology at ATMs will further close the loop on counterfeit fraud.

Card-not-present fraud

Similar to other jurisdictions, as counterfeit fraud in Australia is becoming more difficult, criminals are moving online. This year, domestic card-not-present (CNP) fraud increased by 38% to \$136.7 million and now accounts for just over 70% of fraud by value on Australian cards. Combating CNP fraud in Australia is a key focus for the IAC. The IAC is exploring a range of short and long term solutions to complement existing prevention measures.

Working closely with law enforcement

Closer cooperation between law enforcement and financial institutions is also contributing to the drop in face-to-face fraud. APCA established the Fraud in Banking Forum in 2014 for this purpose, and convenes quarterly meetings to promote dialogue on payments fraud issues. Sharing information on emerging threats and criminal methodologies is helping to identify and rendering ineffective gangs operating in Australia.

Australians spent **\$689,470 million** on their payment cards in 2015.



Shaping industry standards

APCA is at the front line in the development of global standards to support secure innovation in payment technologies. These include key Australian standards as well as global ISO and PCI standards for card and PIN security, tokenisation and key management. In July 2016, PCI published a new device approval class for Key Loading Devices (KLDs), based on APCA's KLDs security requirements, which have been in use since 2006. PCI adopted most of APCA's security requirements following an extensive review by a PCI working group.

APCA is looking to be an active participant in the international ISO working group that will develop Blockchain standards. In April 2016, Standards Australia (SA) submitted a proposal to ISO for the standardisation of Blockchain technology to support interoperability among users, applications and systems. Recent stakeholder consultations conducted by SA had uncovered interoperability as the key to unlocking Blockchain's potential. The proposal was accepted by ISO in September 2016, with SA to act as secretariat for this work.

Australia's next generation banknotes

In addition to embracing new payments technologies, Australians continue to use cash, for a variety of reasons. In this context, the Reserve Bank of Australia (RBA) is introducing new banknotes with tighter security features to protect against counterfeiting and a tactile feature to help the vision impaired. To ensure a coordinated industry approach and a smooth transition, we set up the Next Generation Banknote Support Project in September 2015. The project has been monitoring the industry's readiness for the new banknotes to ensure minimal disruption as each denomination is issued into circulation. The RBA issued the \$5 banknote, the first in the new series and featuring a world-first design, on 1 September 2016.

APCA IS AT THE FRONT LINE IN THE DEVELOPMENT OF GLOBAL STANDARDS TO SUPPORT SECURE INNOVATION IN PAYMENT TECHNOLOGIES

APCA has an important role in representing the industry on domestic and global standards bodies

- EMVCo Business Associate
- ISO/TC68 Financial Services
- ISO/TC68 Financial Services/ Working Group 7 – ISO 20022
- ISO/TC68 Financial Services/ Technical Group 1 – ISO 20022
- ISO/TC68/SC2 Financial Services Security
- ISO/ TC68/SC2/Working Group 11
- ISO/TC68/SC2/Working Group 13
- ISO/TC68/SC7 Core Banking
- ISO/TC68/SC7/Working Group 10
- ISO20022 Payments Standards Evaluation Group
- ISO20022 Registration Management Group
- Standards Australia Committee IT/5
- Standards Australia Committee IT/5/3
- Standards Australia Working Group IT/5/4
- Standards Australia Working Group IT/5/8
- SWIFT Australian National Member Group
- SWIFT Australian User Group
- Payments Card Industry Security Standards Council (PCI SSC) (Affiliate member)
- PCI SSC PIN Transaction Security Working Group



POSITIONED FOR THE FUTURE

Significant progress in the development of the New Payments Platform, as well as the Australian Payments Council, mean that Australia is firmly positioned to support the needs of an increasingly digital economy. APCA has played an important role in the success of both these major initiatives.

AUSTRALIA'S NEW PAYMENTS PLATFORM

The New Payments Platform (NPP) is a major industry initiative to develop new infrastructure for Australian payments. It will provide Australian governments, businesses and consumers with a fast, versatile, data-rich payments system for making their everyday payments. The industry is taking a unique layered approach that separates the basic infrastructure, which connects all financial institutions, from “overlay” services – innovative, customised payment services.

APCA is providing corporate services to NPP Australia Limited, the company it established in December 2014 to oversee the build and operation of the NPP. A summary of this year’s key developments follows.

A new phase

The NPP program moved into the “build and internal test” phase in August 2015, once the “design and elaborate” phase was successfully completed. The current phase involves SWIFT building the basic infrastructure, participants focussing on their internal build and links to back office systems as well as internal testing of all components. Following completion in early-mid 2017, the program will move to industry testing. The NPP is on track to become operational in the second half of 2017.

First overlay service

In October 2015, NPP Australia reached agreement with Australia’s premier bill payment system provider – BPAY – to deliver the first overlay service to use the NPP once it is operational in the second half of 2017. This initial convenience service will let consumers immediately transfer funds to and from their banking accounts via their mobile phone, tablet, or via the internet.

New shareholder and an inaugural CEO

In May 2016, HSBC Bank Australia Limited became a shareholder of NPP Australia Limited – the first new shareholder to join the 12 founding member institutions.

NPP Australia announced the appointment of inaugural CEO, Adrian Lovney on 14 June 2016, with effect from 6 September 2016.

NPP Members

Australia and New Zealand Banking Group Limited
Australian Settlements Limited
Bendigo and Adelaide Bank Limited
Citigroup Pty Ltd
Commonwealth Bank of Australia
Cuscal Limited
HSBC Bank Australia Limited
Indue Ltd
ING DIRECT
Macquarie Bank Limited
National Australia Bank Limited
Reserve Bank of Australia
Westpac Banking Corporation



THE AUSTRALIAN PAYMENTS COUNCIL

The Australian Payments Council was established in August 2014 by the payments community with the support of the Reserve Bank of Australia to foster the ongoing development of the Australian payments system. APCA plays a vital role in bringing members of the Council together and shaping the strategic agenda.

The Australian Payments Plan

The Council published the Australian Payments Plan in December 2015. It was developed in consultation with a wide range of users of the payments system – from government and corporate bodies to individuals. The Plan provides strategic direction for the payments industry. Its purpose is to ensure that as the future unfolds, the Australian payments system continues to meet the needs of the economy.

The Plan identifies three key areas that will require industry collaboration to lay the groundwork for a more connected, integrated and competitive payments landscape. These are:

- **Trust and security** – focusing on digital identity and cybersecurity.
- **Managing the existing payments mix** – ensuring that all businesses and consumers have access to convenient payment methods in the digital economy.
- **Enabling the next wave of technology innovation** – evaluating new technologies as they emerge and leading discussion on how they can improve the payments system.

As the Payments Council secretariat, APCA guides the programmes of work in each area. We draw on internal expertise and consult with subject matter experts from organisations on the Payments Council and in the wider Payments Community.

Coordination with regulators

Coordination of priorities is essential to achieving payments system improvements. The Payments Council meets jointly with the Payments System Board of the RBA on an annual basis. The inaugural meeting held in August 2015, the first anniversary of the Payments Council, focussed on the consultation process to inform development of the Plan. The August 2016 meeting covered industry initiatives undertaken by the Payments Council following publication of the Plan in December 2015.

Meet the Council

Mark Birrell – Independent Chairman
Australia and New Zealand Banking Group Limited
Australian Payments Clearing Association
Commonwealth Bank of Australia
Coles Financial Services
eftpos Payments Australia Limited
HSBC Bank Australia Limited
MasterCard Asia/Pacific (Australia) Pty Ltd
National Australia Bank Limited
PayPal Pty Ltd
Reserve Bank of Australia
Suncorp-Metway Limited
Tyro Payments Limited
Westpac Banking Corporation

SHAPING THE FUTURE OF PAYMENTS REGULATION

An important way APCA contributes to improving the payments system is by participating in the development of public policy. We formally advocated for the payments industry on the following matters.

Card payments regulation

The RBA released its Conclusion Paper on the Review of Card Payments Regulation in May 2016. This saw the cap on interchange fees remain at 50 basis points, card regulation extend to American Express, and new measures to ensure that the fees merchants charge consumers more accurately reflects the interchange costs of different payment services. The new rules, which are enforceable by the Australian Competition and Consumer Commission, came into effect on 1 September 2016. As part of the changes, financial institutions have to provide clear information to merchants about the costs of processing credit card transactions. APCA has developed a standardised approach to assist financial institutions with compliance.



Outcomes of the Financial System Inquiry Final Report

The Financial System Inquiry concluded in December 2014 and the government released its response to the final report on 20 October 2015, supporting most of the recommendations. The Government is now in the process of implementing these. APCA has been an active participant throughout the FSI process and continues to engage with government in delivering outcomes that will benefit the payments industry. These include recommendations relating to a graduated regulatory framework and the introduction of measures to make the e-Payments Code compulsory.

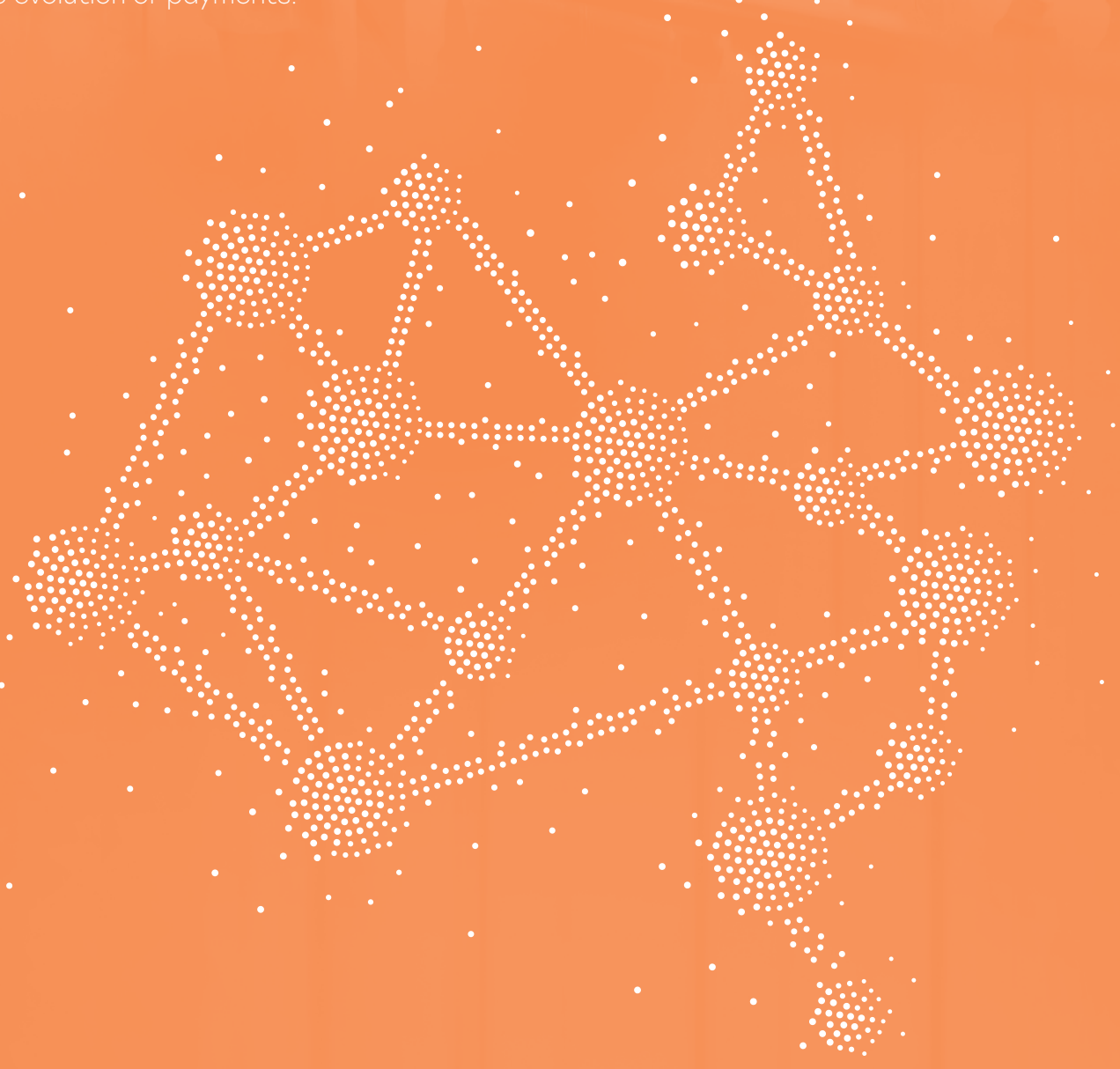
Productivity Commission Inquiry into Data Availability and Use

APCA lodged its submission – *Trusted Data Sharing, Now and in the Future* – to the Productivity Commission Inquiry into Data Availability and Use on 29 July 2016. The submission highlights that trust is the cornerstone of data sharing arrangements in place within the payments industry today. Data sharing must align five key elements: security, privacy, compliance and liability, consumer interests and commercial incentives.

NEW MEASURES ENSURE THAT THE FEE MERCHANTS CHARGE CONSUMERS MORE ACCURATELY REFLECTS THE COST OF ACCEPTANCE

ENGAGING WITH THE COMMUNITY

As the payments system evolves and becomes more complex, the range of stakeholders widens. Interacting with everyone is vital for promoting collaboration to support the evolution of payments.



APCA's communications and engagement activities are primarily targeted at supporting our thought leadership, policy and advocacy roles.

Annual Conference

APCA held its annual conference on 21 October 2015. The half-day event brought together over 100 attendees from across the payments landscape including financial institutions, card schemes and service providers. Participants heard from industry experts on public policy and industry agendas, the new payments platform and what's driving innovation. The strong themes of innovation and collaboration dominated discussion throughout the afternoon.

We were delighted to have fintech hub Stone and Chalk join our line of industry experts giving them a platform to engage with Australia's payments decision-makers. The intention is to build on this event next year as part of APCA's 25th anniversary.

Industry events

This year, APCA actively participated in more than 40 member and industry conferences and events. We presented on a broad range of current topics including digital identity, payments fraud and new and emerging technologies. In August 2016, we hosted a "Women in Payments" event. The "Connections and Collaboration" panel discussion included the importance of collaboration and how regulators might be positioned as collaborators in the rapidly changing environment.

International Liaison

APCA participates in the International Council of Payment Association Chief Executives (ICPACE), along with payment associations from Canada, Ireland, New Zealand, South Africa, United Kingdom and the United States.

The ICSPACE organisations meet annually to share information, explore emerging payments issues and learn from each other's experiences. This year's meeting was hosted by Payments Canada in June 2016. Topics of discussion included developments in regulatory settings, payments system enhancements underway and strategic industry planning. APCA will host the next ICSPACE meeting in February 2017.

APCA regularly hosts international visitors and actively participates in overseas payments events. In February 2016, we welcomed visitors from the Reserve Bank of Chicago and from the Monetary Authority of Singapore in June 2016. APCA also presented at the Federal Reserve Bank of Chicago Payments Symposium in September 2015 and the Payments Canada's *Payments Panorama* in June 2016.



THIS YEAR,
APCA ACTIVELY
PARTICIPATED
IN MORE THAN
40 MEMBER
AND INDUSTRY
CONFERENCES
AND EVENTS.

Stakeholder engagement

This year, we expanded our activities to include regular relationship meetings with members and other stakeholders. This holistic approach is helping to better support APCA's extended community of payments organisations – financial institutions, specialist payments companies and system operators – and their affiliates.

Keeping the community informed

APCA plays an important role in information sharing, which improves understanding of how payments support the economy.

The digital economy

APCA releases regular Milestones reports to track Australia's transition to digital payments. The April 2016 report shows that in 2015 Australians used 16.3% less cheques than in 2014, card use was up 11.3%, and direct entry transactions grew by 6.3%. According to a 2015 Deloitte report, Australia is the sixth most concentrated smartphone market in the world, and Australian Bureau of Statistics data shows that 86% of Australian households are now online. The Milestones report also highlights industry initiatives to support the digital economy including the New Payments Platform and the Australian Payments Plan.



Improving public understanding

APCA publishes payments fraud data twice-yearly to help inform consumers and businesses about payments fraud issues and to assist the industry in monitoring fraud trends and targeted mitigation strategies. This year's report shows that, in line with global trends, fraud on Australian cards is increasing online, as chip technology continues to prove effective in tackling counterfeit fraud. A key focus for the publication is providing information on the simple steps consumers can take to help stay safe online.

Payments developments and insights

In addition to digital payments and fraud trends reports, APCA publishes a quarterly newsletter – Payments Monitor – to keep stakeholders and interested parties informed. This is complemented by our "Views and News" blog which provides insights on topics that have international as well as local relevance. The APCA website is a key component of our communications activities; this year, the website had more than half a million visitors, up 48% on last year.



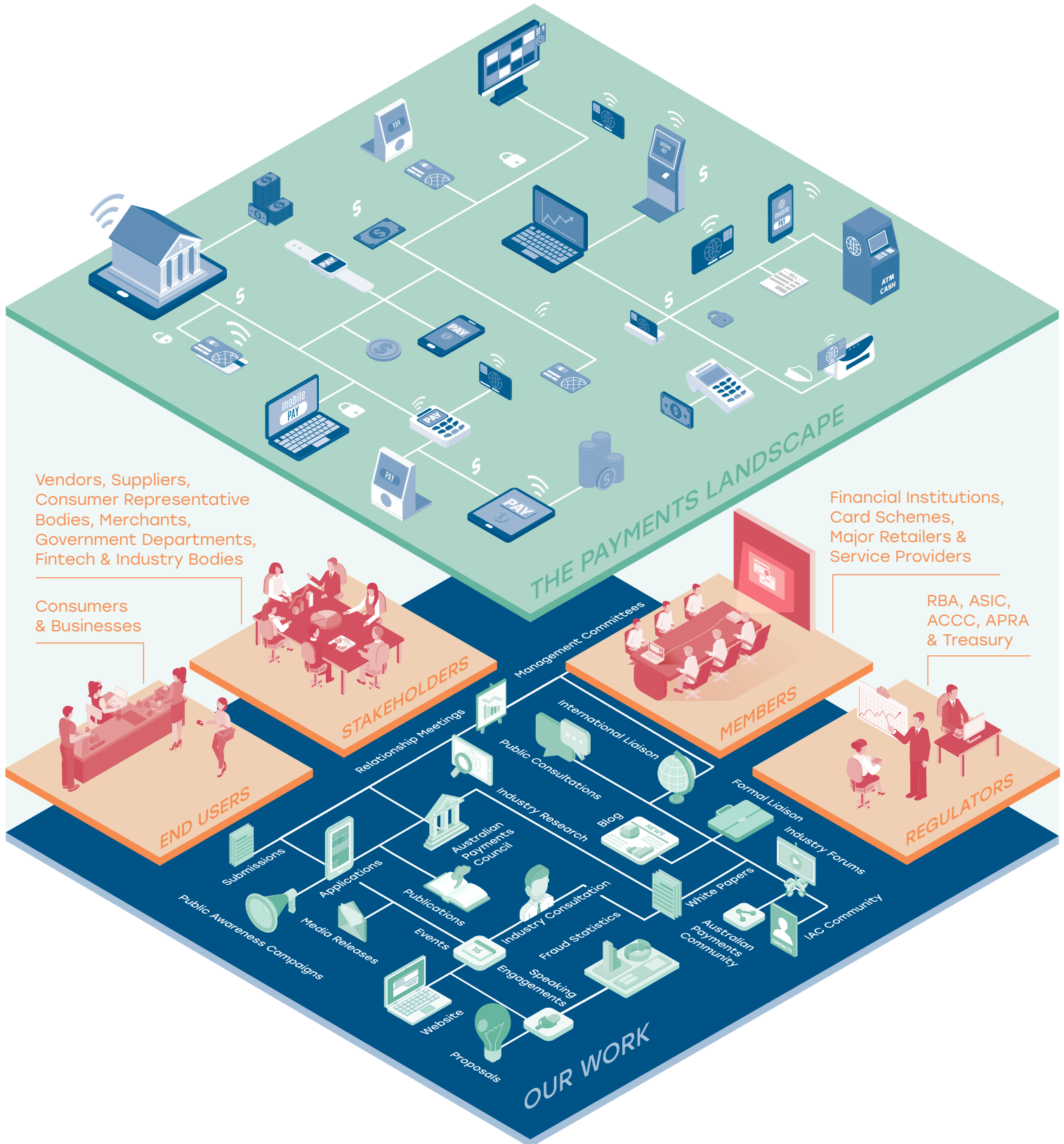
The APCA website had more than half a million visitors, up

48% on last year.

- 2016
- 2015

OUR WORLD

The payments system connects everyone in the digital economy.
APCA works with a wide range of stakeholders to promote industry collaboration.



DECISION MAKING

APCA plays a pivotal role in the
governance of payments systems.

APCA is the self-regulatory body and industry association for Australian payments. Our role continuously evolves in line with the changing needs of the payments community.

We bring industry stakeholders together to help shape the future direction of payments. We provide insights on how the payments system is evolving, regulatory perspectives and likely outcomes and opportunities for collaboration.

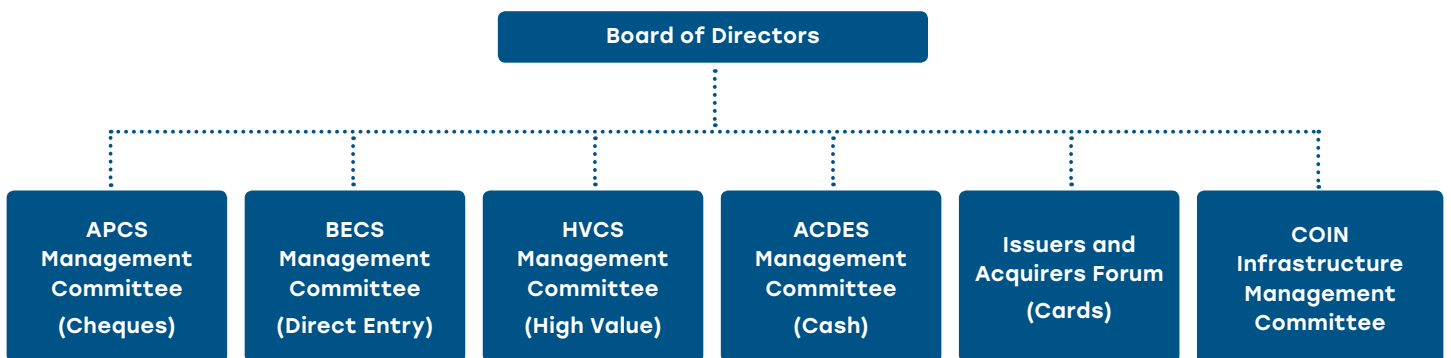
APCA also plays an important role in promoting collaboration across the Australian Payments Council and its Payments Community, and NPP Australia Limited, the company overseeing the development of the NPP.

APCA's decision-making processes

Part of APCA's role is to manage non-competitive clearing systems and frameworks through management committees established by the Board.

These clearing systems provide rules for the exchange and settlement of funds among financial institutions and other payments providers. They are:

- Australian Paper Clearing System (APCS) for cheques.
- Bulk Electronic Clearing System (BECS) for direct debit and direct credit payments.
- High Value Clearing System (HVCS) for settlement of high value, real-time payments.
- Issuers and Acquirers Community (IAC) for non-commercial aspects of debit and credit card transactions.
- Australian Cash Distribution and Exchange System (ACDES) for trading of bulk cash between banks.
- The COIN infrastructure system provides connectivity for APCS, BECS, IAC, BPAY and other payments traffic.



BOARD OF DIRECTORS

The APCA Board has 13 members. Led by an independent chair, the Board comprises independent directors, the APCA CEO and non-executive directors which are either elected or appointed by APCA members. The independent directors have substantial voting rights to ensure public interest and broader community benefits are effectively represented.

There were a number of changes to the Board during the year, and up to September 2016. Brett Watson resigned from the Board in April 2016 and was replaced by Rosanna Fornarino. APCA CEO Chris Hamilton resigned in May 2016 after being in the role and an executive director for 10 years. Andy White, APCA's General Manager Payments Community, was appointed Acting CEO. Craig Kennedy joined the Board in August 2016, following Adrian Lovney's resignation. APCA's longest serving director, Paul Inglis, resigned in September 2016, after being on the Board for 18 years. He was replaced by Anne Collard. Leila Fourie was appointed APCA CEO and executive director, effective 12 September 2016.

The names of the directors in office as at 30 September 2016 follows:



Robert Craig, Chair

BSc (Hons), BCA, MAICD

Chief Strategy and Transformation
Officer at Insurance and Care NSW

Mr Craig was appointed in January 2014 as an independent director and Chairman. He serves as: *Chairman and member of the Remuneration Committee.*



**Stuart Woodward,
Deputy Chair**

BA (Hons), F Fin, GAICD

General Manager, Payments
Representation, Cash-Flow
and Transaction Services,
Institutional Banking and Markets,
Commonwealth Bank of Australia

Mr Woodward was appointed as a non-executive director by the CBA in February 2005. He serves as: *Chairman of the Fraud in Banking Forum and Chairman of the Nomination Committee.*



Paul Apolony

F Fin, FAIM, FIPA, GAICD

Deputy General Manager,
Operations – Oceania, The Bank
of Tokyo – Mitsubishi UFJ, Ltd

Mr Apolony was appointed as a non-executive director in June 2007 and elected by Electing Members in June 2014. He serves as: *Chairman of the Australian Cash Distribution and Exchange System Management Committee and the Next Generation Banknotes Support Steering Committee.*



Lindsay Boulton

BA (Soc. Sc.), B Ec (Hons), GAICD

Head of Banking,
Reserve Bank of Australia

Mr Boulton was appointed as a non-executive director by the RBA in June 2013. He serves as: *Member of the Audit, Risk and Finance Committee, the Nomination Committee, and the Remuneration Committee.*



Chris Campbell

B Ec, M Bus (Finance), MAICD

Head of Payments Policy and
Strategy, Westpac Group

Mr Campbell was appointed as a non-executive director by Westpac in April 2003. He serves as: *Chairman of the COIN Management Committee, member of the Audit, Risk and Finance Committee, and the Remuneration Committee.*



David Carter

B Com, GDip App Fin and Investment,
CPA, F Fin, GAICD

Chief Executive Officer, Banking
and Wealth, Suncorp Group

Mr Carter was elected by Electing Members as a non-executive director in June 2014. He is a member of the Australian Payments Council.



Jennifer Clark

FAICD

Deputy Chair of the Australian
Maritime Safety Authority and Chair
of a number of Government Audit
and Risk Committees

Ms Clark was appointed as an independent director in June 2014. She serves as: *Member of the Audit, Risk and Finance Committee and the Remuneration Committee.*



Anne Collard

B Ec (Hons), MAICD

Head of Payments Industry &
Capabilities, Wholesale Digital
& Transformation, Australia and
New Zealand Banking Group Limited

Ms Collard was appointed as a non-executive director by ANZ in September 2016. She serves as: *Member of the Nomination Committee.*



Leila Fourie

PhD Economic and Financial Sciences

Chief Executive Officer, APCA

Dr Fourie was appointed as chief executive officer of APCA on 12 September 2016. She serves as: *Member of the Audit, Risk and Finance Committee, the Remuneration Committee, and the Australian Payments Council.*



Rosanna Fornarino

MBA, MAICD

General Manager Payments, Reconciliations and Logistics, National Australia Bank Limited

Ms Fornarino was appointed by NAB as a non-executive director in April 2016. She serves as: *Chairman of the Australian Paper Clearing System Management Committee.*



David Jay

B Ec, MBA, FCPA, F Fin, FAMI, MIIA, GAICD

Chief Executive Officer, Australian Settlements Limited

Mr Jay was appointed as a non-executive director by Building Societies Members in August 2010. He serves as: *Chairman of the Audit, Risk & Finance Committee, member of the Remuneration Committee and the Nomination Committee.*



Craig Kennedy

MBA (Heriot Watt, Edinburgh), GAICD

Managing Director, Cuscal Limited

Mr Kennedy was appointed as a non-executive director by Credit Unions Members in August 2016. He serves as: *Chairman of the Bulk Electronic Clearing System Management Committee.*



Kate Mulligan

BA, LLB (Hons), MAICD

Managing Director of King Irving

Ms Mulligan was appointed as an independent director in June 2014. She serves as: *Chairman of the Issuers and Acquirers Forum.*

GOVERNANCE

The APCA Board is responsible for setting the company's strategic direction and corporate governance. It is made up of an independent chair, the chief executive officer, non-executive directors appointed by APCA members and two additional independent directors. The current chair, Robert Craig, was appointed in January 2014 and is an independent voting director. The CEO is a board-appointed, non-voting, executive director.

Board committees

The Board has established a management committee for each APCA framework including its clearing systems and infrastructure system (COIN). Acting under delegated authority from the Board, management committees are responsible for the efficient operation and management of each framework. The Board has also established the following committees to assist in managing the company's affairs:

- **Audit, Risk and Finance Committee** – reviews the company's internal financial practices, budget and audit results and monitors the effectiveness of the company's financial controls and administrative policies.
- **Nomination Committee** – supports the Board on matters relating to the eligibility, appointment and election of directors.
- **Remuneration Committee** – establishes remuneration policies and practices for the company generally and recommends remuneration levels and contractual arrangements for the CEO.

Board charter

The Board carries out its functions and exercises its powers in accordance with the board charter, which sets out its role, responsibilities and functions. The Board reviews the charter annually.

Reserve Bank of Australia liaison arrangements

Senior staff of the RBA and APCA consult on a regular basis on issues of industry policy. The RBA has automatic rights to appoint representatives to the Board and management committees, and currently has a representative on the Board.

Code of Conduct

All directors, management committee members and senior executive staff must comply with a Directors' and Officers' Code of Conduct.

Ethics, policies and procedures

APCA promotes a high professional and ethical standard. Management policies cover human resources, technology, external matters, finance and general management.

Risk management

APCA has put in place a risk management framework which the Board oversees. Key risks and risk appetite are regularly reviewed and the risk framework is submitted to both internal and external audit review.

MEMBERSHIP

As the industry association for Australian payments, APCA has some 121 member organisations including APCA Participant Members and Operator Members (103), additional infrastructure system (COIN) members (8), and affiliates (10). Details of the membership categories are available on the [APCA website](#).

APCA Members

Agricultural Bank of China Limited
American Express Australia Limited *
AMP Bank Limited
Arab Bank Australia Limited
Australclear Limited *
Australia and New Zealand Banking Group Limited #
Australian Military Bank Ltd
Australian Settlements Limited
Auswide Bank Ltd
B&E Ltd
Bananacoast Community Credit Union Ltd
Bank Australia
Bank of America, National Association
Bank of China
Bank of China (Australia) Limited
Bank of Communications Co., Ltd Sydney Branch
Bank of Queensland Limited
Bank of Sydney Ltd
Bank of Tokyo-Mitsubishi UFJ, Ltd BankVic
Barclays Bank plc
Bendigo and Adelaide Bank Limited
Beyond Bank Australia
Big Sky Building Society Limited
BNP Paribas
BNP Paribas Securities Services
BPAY Pty Limited *
Capricornian Ltd
Cashcard Australia Limited
China Construction Bank Corporation, Sydney Branch
Citibank N.A.

Citigroup Pty Limited
CLS Bank International
Coles Group Limited #
Commonwealth Bank of Australia #
Community First Credit Union Limited
Credit Union Australia Limited
Cuscal Limited #
Defence Bank Limited
Delphi Bank
Deutsche Bank AG
ECU Australia Limited
eftpos Payments Australia Limited * #
G&C Mutual Bank #
Gateway Credit Union Limited
Greater Bank Limited
Heritage Bank Limited
Heritage Isle Credit Union Limited
Holiday Coast Credit Union Limited
Hong Kong and Shanghai Banking Corporation Limited - Australian Branch
HSBC Bank Australia Limited
Hume Bank Limited
IMB Ltd
Indue Ltd
Industrial and Commercial Bank of China Limited
ING Bank (Australia) Limited
ING Bank NV (Sydney Branch)
JPMorgan Chase Bank, National Association
LCH Clearnet
Macquarie Bank Limited
Maitland Mutual Building Society Limited
Maritime Mining & Power Credit Union Limited

Mastercard Asia / Pacific (Australia) Pty Ltd *
Mega International Commercial Bank Co, Ltd
Members Equity Bank Pty Limited
Mizuho Bank, Ltd
myMOVE
National Australia Bank Limited #
Newcastle Permanent Building Society Ltd
Oversea-Chinese Banking Corporation Limited
PayPal Australia Pty Ltd *
Police & Nurses Limited
Police Bank Limited
QT Mutual Bank Ltd
Queensland Police Credit Union Limited
Rabobank, Australia Branch (Co-Operative Centrale Raiffeisen-Boerenleenbank B.A.)
Rabobank Australia Limited
Regional Australia Bank
Reserve Bank of Australia #
Royal Bank of Canada
Royal Bank of Scotland N.V., (Australia) Branch
Royal Bank of Scotland plc, Australia Branch
Select Encompass Credit Union Ltd
Southern Cross Credit Union Ltd
Standard Chartered Bank
State Bank of India
State Street Bank and Trust Company
Sumitomo Mitsui Banking Corporation, Sydney Branch
Summerland Credit Union Ltd
Suncorp-Metway Limited #
Sutherland Credit Union Ltd

Taiwan Business Bank, Sydney Branch
Teachers Mutual Bank Limited The Rock
Tyro Payments Limited #
UBS AG, Australia Branch
United Overseas Bank Limited
Uniting Financial Services
Victoria Teachers Mutual Bank
Visa AP (Australia) Pty Ltd *
Warwick Credit Union Ltd
Westpac Banking Corporation #
Woolworths Limited #

* Operator Member
Also a COIN member

COIN Members

Adyen Australia Pty Limited
Cabcharge Australia Limited
Cardlink Services Limited
First Data International
Fiserv Solutions of Australia Pty Ltd
Fuji Xerox Australia Pty Limited
Property Exchange Australia Limited
Transaction Network Services Australia Pty Ltd

Affiliate Members

Banktech
DC Payments
Diebold Nixdorf
Giesecke & Devrient
IBM Australia Limited
Ingenico
NCR
Optus
Thales
UL Transaction Security

GLOSSARY

APCS	Australian Paper Clearing System	FSI	Financial System Inquiry
ATM	Automatic Teller Machine	IAC	Issuers and Acquirers Community
BECS	Bulk Electronic Clearing System	ISO	International Organization for Standardization
Blockchain	A distributed ledger	NPP	New Payments Platform
BPAY	See www.bpay.com.au	OPAL	NSW public transport ticketing system
CECS	Consumer Electronic Clearing System	PCI	Payment Card Industry
COIN	Community of Interest Network	PCI SSC	PCI Security Standards Council
Direct Entry	Payments system for direct debits and direct direct credits	PIN	Personal Identification Number
EMV	Europay, MasterCard, and Visa	POS	Point-of-sale
Fintech	Collaboration between financial services companies and technology innovators	RBA	Reserve Bank of Australia
		SWIFT	Society for Worldwide Interbank Financial Telecommunications

CONTACT

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Australian Payments
Clearing Association