

MAKING PAYMENTS THRIVE

ANNUAL REVIEW 2017



Australian
Payments Network

Connect Inspire Thrive



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This Annual Review is designed to provide our members and stakeholders with a summary of what was achieved in financial year 2016-2017. References in this report to a year are to financial year ended 30 June 2017 unless otherwise stated.



AUSTRALIAN PAYMENTS NETWORK CHAMPIONS THE PAYMENTS SYSTEM

We encourage competition and innovation, and safeguard the security of the payments system to deliver improvements for all Australians.

As the home for collaboration, we bring together a diverse set of organisations including financial institutions, major retailers, systems operators, and technology and service providers.

In our role as the self-regulatory body for payments, we take an inquisitive, front-footed approach to shaping the emerging payments landscape.

Our vibrant network includes some 120 members and participants and we welcome involvement from all organisations with a significant interest in helping payments thrive.

In April 2017, we changed our name from Australian Payments Clearing Association Limited to **Australian Payments Network Limited**. The name change was unanimously supported by our members at a general meeting in April 2017. Our new name reflects our evolution and growth, and was inspired by the importance of the network – both in terms of the payments network, and the network of people and organisations – in helping payments thrive.



CHAIR AND CEO MESSAGE

The payments industry is experiencing unprecedented transformation and it's no surprise that this change is reflected in AusPayNet's operating environment.



The pace and scale of technology evolution is shaping a digital-first mindset and consumers are increasingly expecting a more integrated, intuitive and frictionless payment experience. Payments is caught in the wake of a rising wave of regulatory and policy reform, leveraging data and digital identity in a drive to encourage competition and responsible innovation. We are proud that AusPayNet is at the forefront of much of this change.

This year, we rebranded and moved premises. Our new name and identity better reflect what we're involved in today and what we will continue to do. AusPayNet has become the home for collaboration and cross-industry innovation. It has an important role in enabling the network effect that is so crucial to payments by bringing together members and a growing number of new stakeholders. As champion of the payments system, we enable industry collaboration – in defending and promoting the payments system – to help payments thrive.

Over the course of the year, AusPayNet has delivered on a wide transformation agenda. After delivering the initial phases of the New Payments Platform (NPP) project, we helped equip NPP Australia as a separate legal entity able to deliver on its mandate later this year. Bringing industry together, we developed the framework for NSW Transport's contactless payments trial and are now actively working with other states to create a national framework.

As payments move online, so too does fraud, and the industry is working collaboratively in the fight against online card fraud.

We are shaping the future of payments, and ensuring secure innovation through representation and leadership roles on a range of local and global standards committees and working groups. These include working with PCI on innovations at point-of-sale, the ISO group on emerging technology, and Standards Australia's foundational work on blockchain.

In addition to this, a dedicated delivery team supports the Australian Payments Council. We are coordinating a number of strategic initiatives to ensure the payments system continues to meet the needs of all Australians.

The Council's work covers four key areas.

Digital identity plays an important role in the future of payments innovation – it is the gateway to a secure and seamless customer experience. Following the development of principles for digital identity and the R3 Blockchain pilot last year, we have been supporting the Council's work in exploring a potential industry approach to digital identity.

Data sharing remains a critical issue and we are guiding industry work in developing a secure and appropriate approach to data sharing to address government and regulatory requirements. In supporting the Council's work, we helped deliver data sharing principles and ran a successful hackathon in August 2017.

Cybersecurity is an increasingly important agenda item for Australia, and through the Council we are facilitating industry collaboration and liaison with government to help safeguard Australia against cyberattacks.

Cheque use is plummeting as the digital economy takes hold, and industry is working proactively to manage Australia's increasingly digital payments mix.

Looking ahead, we have identified three strategic themes to enable us to deliver on AusPayNet's constitutional mandate:

- **Payments innovation**
- **Effective self-regulation**
- **Leadership in collaboration**

We invite you to read more about what we are doing in these areas in the detail of this report.

We would like to acknowledge our staff for their commitment and hard work in what has been an enormous year of change and delivery. We are deeply grateful to our Board and our Members for their contribution and support, and recognise our close engagement with the Reserve Bank.

Leila Fourie, CEO
Robert Craig, Chair

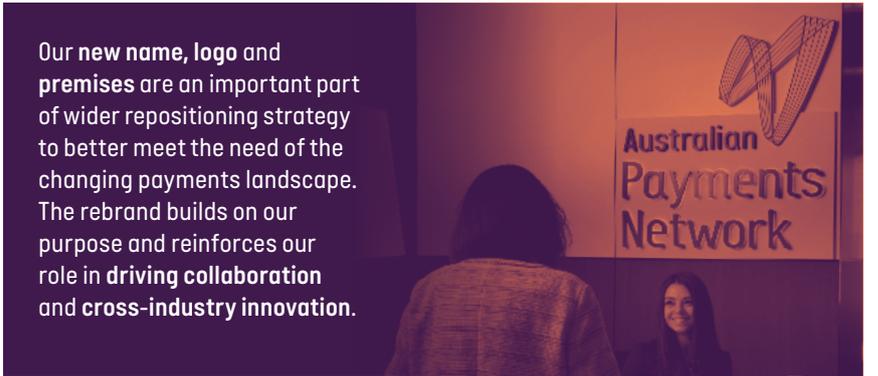


HIGHLIGHTS

The payments system continued to evolve with key milestones this year.



The NSW Government launched its trial using **contactless payment cards** on public transport. We developed a framework to support the use of **debit and credit cards** and connected our network of organisations with Transport for NSW.



Our **new name, logo and premises** are an important part of wider repositioning strategy to better meet the need of the changing payments landscape. The rebrand builds on our purpose and reinforces our role in **driving collaboration and cross-industry innovation**.



New guidelines for issuers and acquirers outline best practice for **online card fraud detection**, customer authentication, and data security.



The Reserve Bank of Australia is issuing new bank notes. Following release of the new **\$5 banknote** in September 2016, we continued to work with financial institutions to prepare for the **\$10 banknote's release** in September 2017.



We lodged submissions to help shape the **future of payments regulation** on Data Availability and Use, Open Banking, Dual Network Cards and Mobile Wallet Technology, Competition in the Australian Financial System and the Black Economy.



Our Issuers and Acquirers Community is using new research to help better target preventative measures and generate greater merchant awareness about card-not-present fraud.



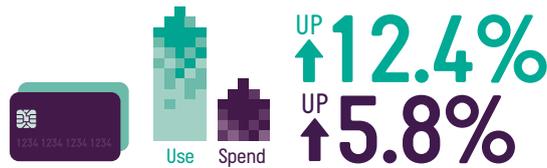
The Australian Payments Council held the first cross-industry **hackathon**. We coordinated the event bringing together 120 participants from financial institutions and the fintech community to improve the lives of Australians with transactional data.



SNAPSHOT

This has been another landmark year for Australia’s digital economy. For the first time, cards have overtaken cash as the top payment method, more consumers are shopping online, and support for Fintech organisations continues to grow.

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



Australians are using their cards **more** than ever before.



The number of direct debit and direct credit payments continue to **grow** strongly.

Source Reserve Bank of Australia Monthly Statistics – www.rba.gov.au



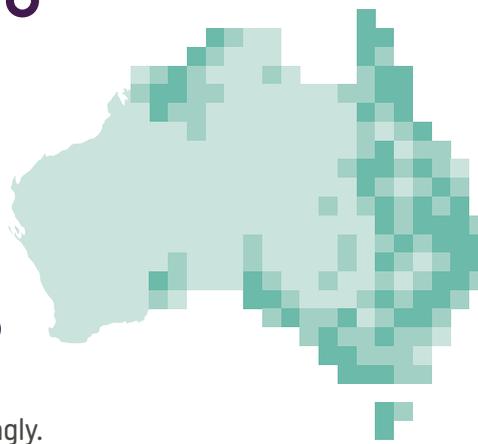
Two-thirds of all card payments at **point-of-sale** are **contactless**.

Source Reserve Bank of Australia 2016 Consumer Payments Survey – www.rba.gov.au



Growth of online spending is estimated at **13.1%**.

Source NAB Online Retail Sales Index

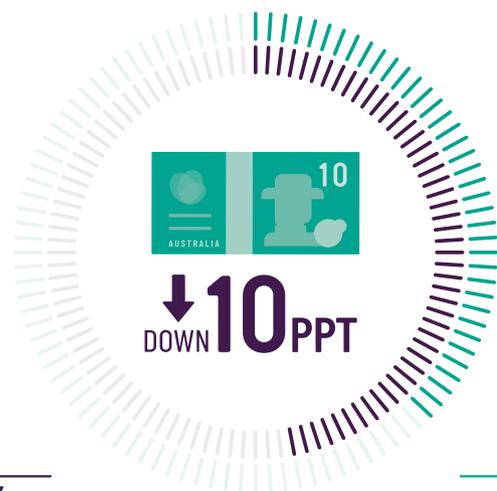


CARDS HAVE OVERTAKEN CASH AS THE MOST FREQUENTLY USED PAYMENT METHOD



Cards represent **52%** of all payments, up from **43%** in 2013.

Source 2016 Consumer Payments Survey – www.rba.gov.au



Cash accounts for **37%** of all consumer payments, down from **47%** in 2013.



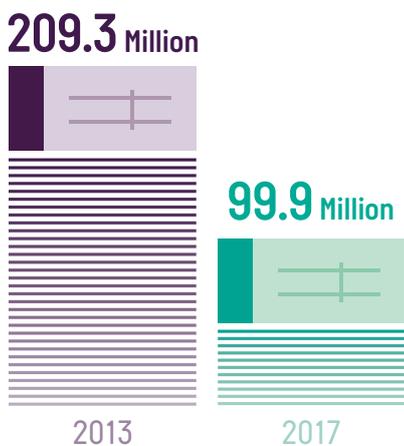
DEBIT CARD USE IS ON THE RISE



70% of Australians under the age of 30 **don't have a credit card.**



THE DECLINE IN CHEQUE AND CASH USE IS ACCELERATING



Cheque numbers **dropped** to **under 100 million** for the first time – more than halving since 2013.

Source Reserve Bank of Australia Monthly Statistics – www.rba.gov.au



The number of ATM withdrawals **dropped 7.5%**, following a 6.6% drop in 2016.

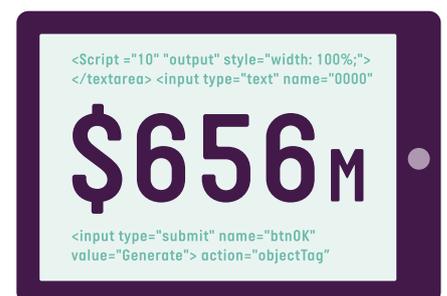
INVESTMENT IN FINTECH CONTINUES TO GROW

The Fintech industry peak body – **Fintech Australia** has over **100 members**.



Source Fintech Australia

Australia's overall **fintech investment** hit a record high of **\$656 million**.



Source KPMG International's The Pulse of Fintech



THE AUSTRALIAN PAYMENTS ENVIRONMENT

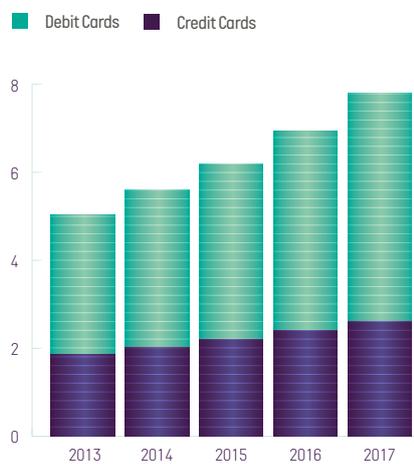
The payments mix is evolving at a rapid pace. As businesses and consumers make more card and electronic payments than ever before, the decline in cheque and cash use is accelerating.

Cards

Following almost a decade of double digit growth, this year cards overtook cash as the most frequently used payment method in Australia. Debit card transactions grew by 14.1% to 5.2 billion for the first time. More than two-thirds of all card payments are now made with debit cards, a reflection of their growing use for small value purchases. Spending on debit cards increased to \$260.4 billion, up 9% on the previous year.¹

The number of credit card transactions grew by 9% to 2.6 billion, following a 9.9% increase in 2015/16. The value of credit card transactions, which are typically for larger amounts than debit card transactions, grew by 3.8% to \$319.7 billion.

NUMBER OF CARD PAYMENTS BILLIONS



UP **12.4%**

VALUE OF CARD PAYMENTS \$BILLIONS



UP **\$32.6B**

Source Reserve Bank of Australia Monthly Statistics – www.rba.gov.au

85% of Australians hold a contactless 'tap and go' card. In 2016, contactless cards were used for 40% of in-person payments under \$20.



Source Reserve Bank of Australia 2016 Consumer Payments Survey – www.rba.gov.au

¹ Excludes POS cash-out numbers and values.

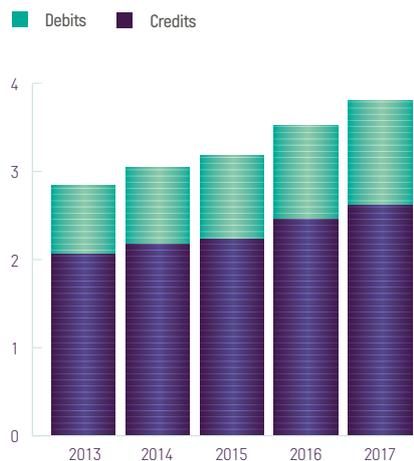


Direct entry

The direct entry system is commonly used by businesses and consumers to make recurring, automated payments to and from everyday transaction accounts. This system carries the lion's share of retail payments by value in Australia.

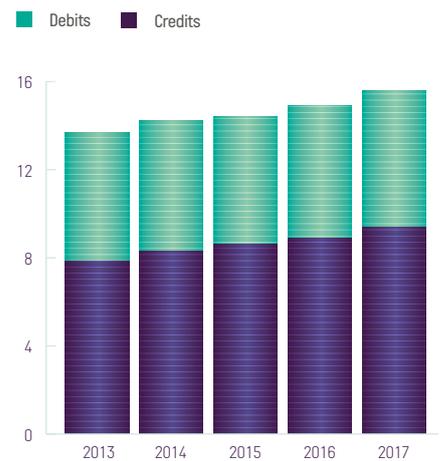
Direct debit and direct credit transactions both continued to grow strongly this year. Direct debits grew by 13% to 1.2 billion transactions and direct credits by 6% to 2.6 billion. By value, direct credits increased by 5.5% to \$9.2 trillion and direct debits by 3.4% to \$6.1 trillion.

NUMBER OF DIRECT ENTRY PAYMENTS BILLIONS



UP **8.1%**

VALUE OF DIRECT ENTRY PAYMENTS \$TRILLIONS



UP **\$677.3B**

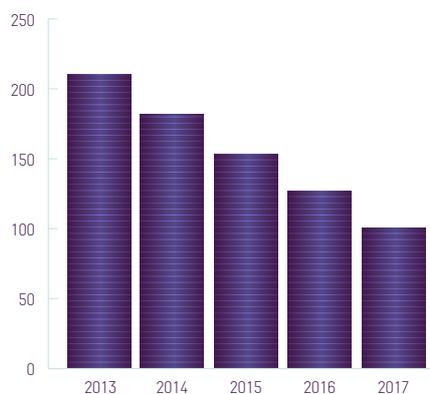
Source Reserve Bank of Australia Monthly Statistics – www.rba.gov.au

Cheques

As digital payments continue their strong growth, cheques are in terminal decline. This year, cheque use plummeted by a record 21% with numbers dropping under 100 million for the first time, down to 99.9 million. Since 2012/13, cheque use in Australia has dropped by 52.3%.

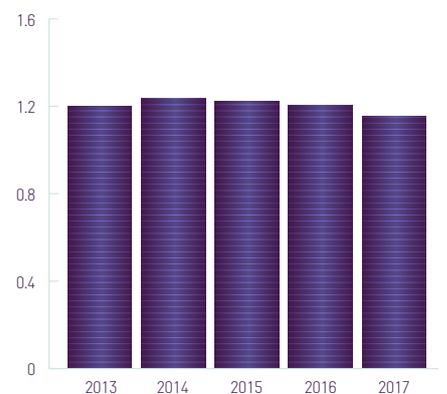
While cheque values have remained steady in recent years, in 2016/17 the total value of cheques dropped by 4.2%, down to \$1.1 trillion.

NUMBER OF CHEQUE PAYMENTS MILLIONS



DOWN **21%**

VALUE OF CHEQUE PAYMENTS \$TRILLIONS



DOWN **\$50.6B**

Source Reserve Bank of Australia Monthly Statistics – www.rba.gov.au

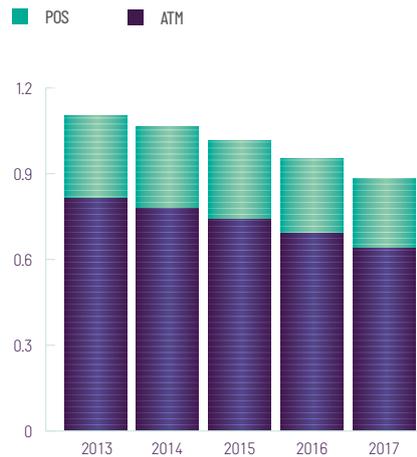


Cash

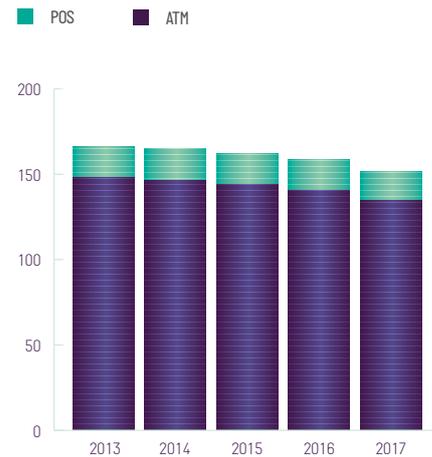
Australia is fast becoming a less-cash society. ATM withdrawals have been steadily declining for the last five years, with a record drop of 7.5% this year bringing the number down to 625.4 million. The value of withdrawals dropped 4% to \$133.1 billion.

While the numbers are smaller, this trend is mirrored at point-of-sale. The number of cash-outs in 2016/17 dropped 7.6% to 236.9 million and totalled \$16.9 billion, a 4.9% drop on the previous year.

NUMBER OF CASH WITHDRAWALS BILLIONS



VALUE OF CASH WITHDRAWALS \$BILLIONS

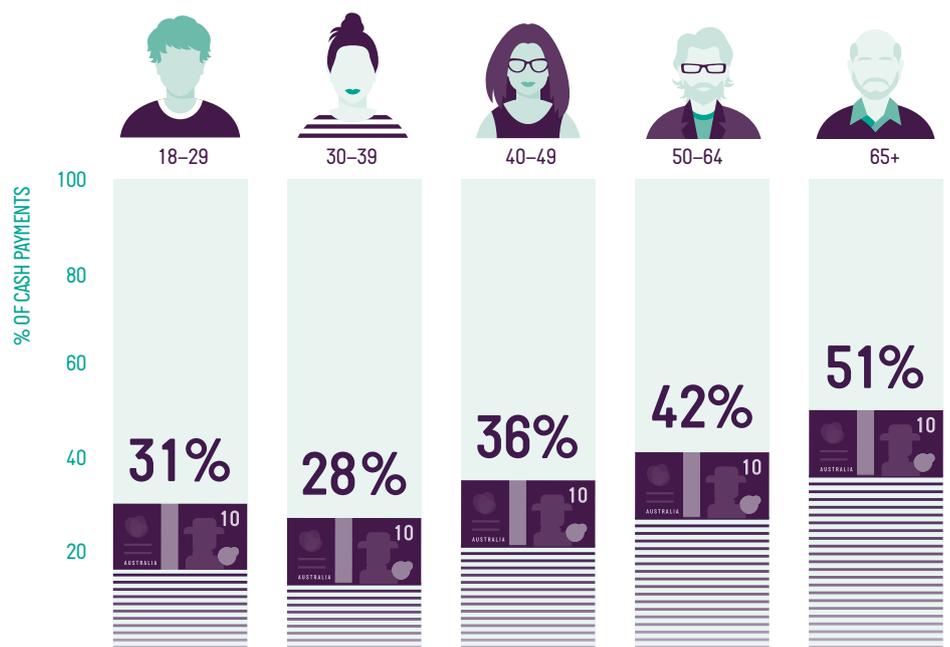


↓ **7.5%**
DOWN

↓ **\$6.5B**
DOWN

Source Reserve Bank of Australia Monthly Statistics – www.rba.gov.au

Australians under 40 years of age use cash for less than one-third of payments.



Source Reserve Bank of Australia 2016 Consumer Payments Survey – www.rba.gov.au



As the home of collaboration and cross-industry innovation, AusPayNet brings together a wide range of stakeholders on a range of topics requiring industry coordination.

Contactless payments for transport

Throughout the year, we worked closely with industry to support Australia's first Contactless Transport Payments trial launched by Transport for NSW on 6 July 2017.

In partnership with Transport for NSW, we developed the new framework for the trial, and brought issuers, acquirers, card schemes and transport authorities together to drive the initiative forward.

Commuters on Sydney's Manly ferry can now use their own debit or credit card (or smart phone or wearable), instead of an Opal card, to tap on and off. We are now engaging with transport authorities across Australia to develop a national 'open-loop' framework for transit.

With many transport authorities worldwide looking to replace their proprietary ticketing cards, our work is gaining attention overseas.

Next generation banknotes

Notwithstanding the steady growth of contactless payments, cash remains an important payment choice. To ensure the integrity of banknotes into the future, the Reserve Bank of Australia (RBA) is rolling-out next generation polymer banknotes with cutting edge anti-counterfeiting features.

We are supporting the RBA initiative by coordinating industry efforts to ensure a smooth transition as each denomination is released into circulation. This involves updating all cash equipment and dispensing machines to ensure they are capable of handling new banknotes as well as the old banknotes while they remain in circulation.

The new \$5 banknote was successfully introduced in September 2016, and the \$10 banknote in September 2017. With the new \$50 banknote due for release in 2018, we are also monitoring upgrades and reconfigurations to ATMs.

Supporting secure innovation

All ATMs, POS and other card-accepting devices in Australia are security evaluated to ensure they protect sensitive customer data. Most innovative devices and systems fit within local and international security standards requirements, but some use a different paradigm for protecting customer information. AusPayNet is working with PCI to ensure the standards remain relevant.

This year, we introduced a process for considering non-standard technologies to encourage innovation, and to address emerging technologies while limiting the potential for fraud. We also expanded our device evaluation and approvals process to include devices without PIN entry capability. Some 50 card-accepting devices and systems were approved during the year.



Australia's new payments platform

The New Payments Platform (NPP) is new national infrastructure designed to meet the evolving needs of the digital economy. It is a world-class platform for delivering fast, versatile, data-rich low-value payments.

AusPayNet was instrumental in the NPP's early development in terms of industry collaboration, governance and structure. Since establishing NPP Australia Limited in December 2014, we have continued to provide administrative services to the new company. This year, following the appointment of Adrian Lovney as the first CEO, NPP Australia has set-up its own management team. We retain an active interest in this major industry initiative and are assisting with member education.

Developments this year included 'PayID' for the NPP addressing service and 'Osko' for BPAY's overlay service. Once customers register for PayID, they will be able to pay each other using a mobile phone number or email address, rather than bank account details.



WE REPRESENT INDUSTRY ON DOMESTIC AND GLOBAL STANDARDS BODIES
ISO Fintech Technical Advisory Group
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/TC 307 Blockchain and Distributed Ledger Technologies
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)

Shaping industry standards

AusPayNet is at the front line in the development of Australian standards as well as global ISO and PCI standards for card payments systems. An important focus for industry is the harmonisation of rules between the differing security standards.

This year, we contributed to major revisions to standards for secure cryptographic devices (ISO 13491), and for cryptographic keys used to initialise POS terminals (AS 2805.6.5.3). PCI PTS PIN Security Requirements V3.0 was released for review on 15 August 2017. Significantly, the new requirements include clarifications on the use of cryptographic keys which reflect current Australian standards.

Fostering emerging technologies

Additionally, AusPayNet is a member of two new committees established by ISO this year.

In March 2017, we joined the FinTech Technical Advisory Group set-up to drive data and technology standards for FinTech innovation. The Advisory Group is establishing a proactive dialogue with Fintech communities, public sector bodies and ISO, to address common issues collectively. We also sit on the Blockchain and Distributed Ledger Technologies committee, representing Australia on the Identity and Governance study groups. An expert group drawn from our network of participants is ensuring an industry-wide perspective is brought to both ISO committees.



EFFECTIVE SELF-REGULATION

We work with a wide range of participants to maintain a self-regulatory regime for Australian payments. Our advocacy work draws on a shared industry understanding of the needs of a well-functioning payments system.





SHAPING THE FUTURE OF PAYMENTS REGULATION

As the payments environment continues to evolve, the regulatory environment is also evolving. We take a proactive role in influencing the public policy debate, working closely with policymakers and regulators.

This year, we participated in Government inquiries concerning data availability, open banking, competition in the financial system, and the black economy.

Data Availability and Use

Following our submission to the Productivity Commission's [PC] initial consultation outlined in our last year's Annual Review, we made a submission to the *Draft Report* in December 2016.

Our submission welcomed the PC's draft recommendation "that the private sector is best placed to determine sector-specific standards for its data sharing", and highlighted that AusPayNet would provide support and guidance to achieve this outcome for the payments industry. The PC's Final Report was provided to Government in March 2017, and released in May 2017.

Review into Open Banking in Australia

In May 2017, the Government announced a decision to introduce an opening banking regime, and commissioned an independent review to explore appropriate implementation and regulatory models and timelines. In our September 2017 submission to the *Issues Paper*, we pointed to successful self-regulation in payments as a potential model for certain aspects of open banking. A report is due to the Government by the end of 2017, with a response expected early in 2018.

Competition in the Australian Financial System

The PC launched a further inquiry in July 2017, with a focus on establishing whether there are barriers to competition through innovation, and whether innovation benefits are directed towards consumers. Our submission highlighted that competition in payments is generally driven around three core trends: consumer pull, technology push, and evolving regulation. Australia has a competitive payments environment evidenced by the numerous forms of payment options available, and the strong shift towards contactless and mobile payments.

Mobile Wallet Technology

In early 2017, the RBA issued a discussion paper titled *Dual Network Cards and Mobile Wallet Technology*. This followed some stakeholder concerns that the difficulty in enabling both networks on a debit card onto a mobile device may result in less competition and cardholder choice. In collaboration with industry, we provided insights into approaches that other international jurisdictions had taken to address these issues. The RBA chose not to introduce regulation in this policy area but sought appropriate undertakings from relevant stakeholders.

Black Economy

In late 2016, the Australian Government established the Black Economy Taskforce to look at ways to combat the black economy in Australia. As a part of this work, the Taskforce is investigating measures to reduce the role of cash in the economy, and further encourage the uptake of digital payments. We provided technical assistance to the Taskforce, and lodged a submission to the *Additional Policy Ideas* paper released in August 2017.

ATM Access Code

We initiated a review of the ATM Access Code to ensure that it remains relevant to industry needs. This involved consulting with stakeholders, and liaising closely with the RBA. As part of this process, participants shared their perspectives on future directions and innovation trends within the ATM industry. This work is ongoing with outcomes anticipated in 2018.



COORDINATING CORE PAYMENT SYSTEMS

For over 25 years, AusPayNet has ensured efficient, mature and highly reliable payment systems to support Australia’s economic growth.



Our Executive Committee

Through committees of member representatives, we manage core systems for cards, cheques, direct entry, high-value corporate payments and bulk cash. We also over see the Community of Interest Network (COIN) infrastructure system, which provides connectivity for low-value payments traffic.

These systems provide the rules and decision-making structures that ensure the smooth transfer of funds between accounts held at different financial institutions. The rules for each system are a combination of regulations and procedures and minimum standards for processing and technology.

A number of this year’s developments are summarised below.

BOARD OF DIRECTORS

APCS Management Committee Cheques	BECS Management Committee Direct Entry	HVCS Management Committee High Value	IAF Issuers and Acquirers Forum Cards	ACDES Management Committee Cash	COIN Management Committee Infrastructure
Digital cheque clearing was introduced in 2015 to speed up the cheque processing cycle. To further improve efficiencies, the retention period for physical cheques has been reduced from 8 days to 5 days.	Account switching is supported by an electronic mailbox through which financial institutions exchange documents. The SLAs for these information exchanges have been reduced from 5 days to 3 days.	SWIFT has introduced new security controls to its global standards, against which SWIFT members will need to self-attest their compliance from 2018. We are working to ensure HVCS is in alignment with the new controls, and to establish a baseline for industry compliance.	When the IAC was formed in 2015, a key feature was that certain rules would be enforceable, with fines payable for non-compliance. The Sanctions Tribunal has been established for this purpose. It will make independent decisions and give members a fair hearing.	The Reserve Bank of Australia is progressively rolling-out next generation polymer banknotes. Ensuring readiness for each new denomination as it is released into circulation remains a key focus for the Australian Cash Distribution and Exchange System banks.	The COIN provides network services and connectivity for cards, direct debit and direct credit payments, cheques, and BPAY bill payments. We welcomed three new members: Adyen, Genpact and Payments Express.



FRAUD PREVENTION

Combatting card fraud is a key focus for financial institutions and card schemes. We continue to coordinate cross-industry prevention measures through our Issuers and Acquirers Community.

Online card fraud

As Australians embrace the convenience of contactless cards and online shopping, fraud is also increasing. With chip technology providing strong protection for in-person fraud, in line with global trends, card fraud is moving online. In 2016, cards transactions totalled \$714.5 billion, of which 0.074% was fraudulent, with 78% of this occurring online.

New research

This year, we commissioned significant research to help better target preventative measures. The research covered the impact on consumers, learnings from other countries, and how the online payments landscape and fraud are changing.

New guidelines

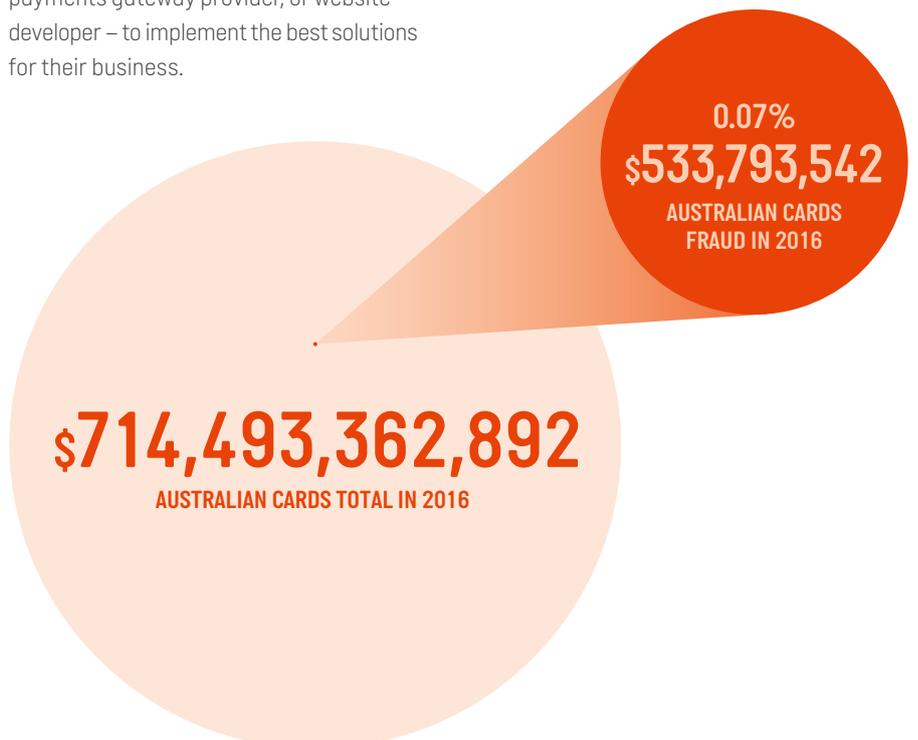
Following consultation with regulators and industry, we released new guidelines for issuers and acquirers outlining best practice for fraud detection, customer authentication, and data security. The voluntary guidelines are intended to complement existing systems and practices to help further secure the online environment.

Merchant education

Alongside this, we commenced building an education program to generate greater awareness of card-not-present (CNP) fraud and prevention measures. The program encourages merchants to work with their existing providers – acquiring bank, payments gateway provider, or website developer – to implement the best solutions for their business.

Chip technology at ATMs

We have been tracking the industry's progressive rolling-out of chip technology (EMV) at ATMs. By the end of 2016, the vast majority were EMV compliant. With the introduction of a liability shift in early 2017, the ATM owner, rather than card issuer, is now responsible for any fraud losses where an ATM is not EMV compliant. The liability shift regime is enforced by AusPayNet rules.





LEADERSHIP IN COLLABORATION

Industry collaboration is pivotal for ensuring the future evolution of the payments system. As the payments landscape becomes more diverse, the range of organisations we bring together continues to expand.





LEADING THE WAY

Effective collaboration is essential to achieving payments system improvements.

Bringing the network together

This year, AusPayNet participated in more than 70 industry conferences and events, both locally and overseas. We presented on a range of current topics including on the changing payments landscape, digital identity, payments fraud and emerging technologies. Our international speaking engagements included major events and forums in Canada, New Zealand, Hong Kong, the Netherlands and Israel.

Following the success of our half-day conference last year, we have been exploring opportunities to build a dedicated annual industry event. To this end, we are partnering with Transactives, an independent entity well-known for its selective and premier global conferences including the European Payment Summit. The inaugural Australian Payment Summit will be held at the Hyatt Regency in Sydney on 13 December 2017, and we are delighted to have Dr Philip Lowe, Governor of the RBA as our keynote speaker.

Stakeholder engagement

Our regular relationship meetings with members and stakeholders provide an invaluable opportunity to share information and encourage involvement in our activities. We were delighted to welcome four new organisations to our membership: Adyen (Issuers and Acquirers Community/COIN), Gemalto (Affiliate), Genpact (COIN), and Payments Express (COIN).

Member survey

The member satisfaction survey we conducted in March 2017 showed positive results, with 84% of members satisfied with our services. The key satisfaction drivers were our work in driving industry collaboration and managing payments system rules and regulations. Members' priorities include the NPP, mobile payments, payments innovation, and fraud prevention. The survey results are being used to assist the strategic planning process.

Our events

As part of a program to assist understanding of emerging issues, we held a series of events.

Open banking is a theme that resonates globally and locally and we were delighted that David Beardmore from the Open Data Institute (ODI) was able to join a panel discussion with representatives from our ICPACE community (see page 18) to cover some of the main drivers and insights from overseas. The ODI was a key contributor to the UK's Open Banking Standards and David provided valuable insights into the UK's experience. Moreover, it was interesting to contrast the different starting points of the various jurisdictions and to distil lessons for this market.

In July 2017, we hosted 'An insider's view of digital identity' event bringing industry together with international speakers from Canada and the United Kingdom. Attendees heard first-hand how the Canadian banks stimulated the identity market.

With the NPP a key priority for financial institutions, in August 2017 we hosted an update session with NPP Australia CEO, Adrian Lovney and BPAY CEO John Banfield.



The Payments Council hackathon at Stone and Chalk in Sydney, 11-13 August 2017.



AusPayNet's communications and engagements activities help support our thought leadership, policy and advocacy roles.



Representatives from our ICPACE community discuss Open Banking.

International liaison

In February 2017, we hosted the annual International Council of Payment Association Chief Executives (ICPACE). This year's meeting included representatives from Canada, New Zealand, South Africa, United Kingdom and United States, and for the first time, the Netherlands. AusPayNet played a foundational role in establishing ICPACE in 2004. We are now looking to setup a similar forum for sharing information among Asia-Pacific payments organisations.

AusPayNet also visits other countries to stay abreast of trends and innovations. Our visit to China in December 2016 included meetings with the People's Bank of China, Baidu, WeCash, Alipay, Ping++, China PNR and WeChat, and provided invaluable insights into China's Fintech community.

In August 2017, a visit to Silicon Valley resulted in meetings with PayPal, Facebook, Stripe and WePay. It also provided insights on Fintech, and on blockchain through meetings with Chain and Ripple.

Working with law enforcement

Fraud prevention requires close involvement between financial institutions and law enforcement. In 2014, we established the Fraud in Banking Forum to promote dialogue between the two communities and share strategic information on current and emerging banking fraud issues. This year, the Forum formed new relationships with the Australian Cybercrime Online Reporting Network (ACORN), the Australian Federal Police Criminal Assets Confiscation Taskforce, the Fraud and Anti-corruption Centre and the Serious Financial Crime Task Force.

Improving information exchanges

Financial institutions also share payments information with law enforcement agencies to assist their criminal investigations and in prosecutions. In December 2016, we kicked-off a project to establish standardised formats for these information exchanges using electronic means. The first stage involving the four major banks and NSW police made significant improvements to information turnaround times. We are now working with law enforcement in other states and further financial institutions across Australia.



Keeping the community informed

Payments touch everyone. We have a role to play in sharing information, which improves understanding of how payments support the economy.

Payments developments and insights

AusPayNet 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.

Improving public understanding

Our Milestones reports track Australia’s transition to digital payments and is published with an accompanying infographic. This year’s report shows that the vast majority of Australians are moving away from cash and cheques. This is because of the widespread use of new technology combined with a strong preference for faster, more convenient payment options.

AusPayNet collects payments fraud data from financial institutions to assist the industry in monitoring fraud trends. The aggregated data is published twice-yearly to help inform consumers and businesses about payments fraud. Additionally, we publish a comprehensive report annually on fraud trends and steps businesses and consumers can take to help protect against card fraud.

Supporting the Australian Payments Council

The Australian Payments Council is the strategic coordination body for the Australian payments system. It was established by the payments community with the support of the RBA in 2014 to ensure that as the future unfolds, the payments system continues to meet the needs of the economy.

AusPayNet is the administrator of the Council and provides a range of services including secretariat support, as well as policy and technical subject matter expertise.

Over the course of the year, we have supported the Council on the delivery of the shared industry vision articulated in the Australian Payments Plan. The work of the Council is based on three key areas, identified as being critical to the continued success of the payments system. These are: security and trust, managing the payments mix, and enabling the future.

Security and Trust

Highlights from this year include extensive exploratory work on digital identity and helping the payments community to identify common cyber needs. Both these activities are helping to lay the foundation for a secure and trusted payments system.

Managing the payments mix

Building on research completed last year, the Council continued its engagement with a wide range of users. The Council’s work in this area will ensure that as digital payments dominate, all consumers and businesses have access to appropriate payment methods.

Enabling the future

Having established principles for data sharing last year, we supported the Council in an industry-wide hackathon. The hackathon drew participation from across Australia and led to the creation of applications that clearly illustrated the value of transactional data. Participants came up with a range of ideas for new apps, from personal finance management tools, to crowd sourcing funds in the wake of a natural disaster.

Positioned for the future

The rebrand of our organisation, the first in 25 years, is an important part of repositioning to better meet future needs. Our new name reflects our evolution, and the importance of the network effect in payments. We unveiled our new logo and tagline shortly after moving to new premises in Barangaroo. Our new home offers space for collaboration, and the new way of working is proving a source of inspiration for the team and our members. We have been progressively rolling-out our new corporate identity across the business and digital channels, including a new website, LinkedIn and Twitter. The rebrand is building awareness for our role in helping payments thrive, and we are excited about the new opportunities ahead.



BOARD OF DIRECTORS

Under the leadership of an independent chair, the Board has 13 members comprising independent directors, the CEO, and non-executive directors appointed or elected by AusPayNet members. The Board's mandate is to act in the best interest of the overall payments system.

There were a number of changes to the Board during the year, and up to September 2017. Simon Babbage and Kees Kwakernaak were elected to replace Paul Apolony and David Carter in October 2016. Lindsay Boulton resigned from the Board in February 2017 and was replaced by Michelle McPhee.

The names of the directors in office as at 30 September 2017 follows:



Robert Craig, Chair
BSc (Hons), BCA, MAICD

*Chief Operating Officer,
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.



Simon Babbage
B Comm, M Comm, CPA, GMP, MAICD

*Country Head Global Liquidity and Cash
Management, HSBC Bank Australia Limited*

Mr Babbage was elected by Electing Members as a non-executive director in October 2016. He is a member of the Australian Payments Council and Chairman of the High Value Clearing System Management 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.



Jennifer Clark

FAICD

Deputy Chair of the Australian Maritime Safety Authority; Chair of Government audit and risk committees

Ms Clark was appointed as an independent director in June 2014. She serves as: Chairman of the Policy Experts Group, 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.



Rosanna Fornarino

MBA, MAICD

Executive General Manager Fulfilment Technology and Operations, 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.



Leila Fourie

PhD Economic and Financial Sciences, MAICD

Chief Executive Officer, Australian Payments Network

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



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, 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.



Kees Kwakernaak

MSc, MAICD

*Managing Director,
First Data Australia & New Zealand*

Mr Kwakernaak was elected by Electing Members as a non-executive director in October 2016. He serves as: Chairman of the Australian Cash Distribution and Exchange System Management Committee and the Next Generation Banknotes Support Steering Committee.



Michelle McPhee

B BUS (Hons), GAICD

*Head of Banking,
Reserve Bank of Australia*

Ms McPhee was appointed as a non-executive director by the RBA in February 2017. She serves as: Member of the Audit, Risk and Finance Committee, the Nomination Committee, and the Remuneration Committee.



Kate Mulligan

BA, LLB (Hons), MAICD

Managing Director, 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 AusPayNet Board is responsible for setting the company's strategic direction and corporate governance. The current Chair, Robert Craig, was appointed in January 2014 and is an independent voting director. The CEO is charged with implementing Board endorsed strategy and managing the day to day affairs of the company. The CEO is a board-appointed, non-voting, executive director.

Board committees

The Board has established a management committee for each AusPayNet framework including its clearing systems, Issuers and Acquirers Community, and infrastructure system (COIN). Acting under delegated authority from the Board, management committees are responsible for the efficient operation and management of each framework. Specialized sub-committees are also established under certain frameworks to address technical and other issues.

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, independent chair and independent directors.

Board charter

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

Reserve Bank of Australia

The RBA has the right under the AusPayNet Constitution to appoint a director to the Board, and currently has a representative on the Board. Senior staff of the RBA and AusPayNet also consult on a regular basis on issues of industry policy.

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

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

Risk management

AusPayNet 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 review.



MEMBERSHIP

As the industry body for Australian payments, AusPayNet has 119 member organisations including Participant Members and Operator Members (100), other infrastructure system (COIN) members (7), and affiliates (12).

AusPayNet Members

Adyen Australia Pty Ltd #

Agricultural Bank of China Limited

American Express Australia Limited *

AMP Bank Limited

Arab Bank Australia Limited

Austraclear 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 Limited

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

Bendigo and Adelaide Bank Limited

Beyond Bank Australia

Big Sky Building Society Limited

BNP Paribas

BNP Paribas Securities Services

BPAY Group Limited **

Capricornian Ltd

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

eftpos Payments Australia Limited **

First Data Network Australia Limited

G&C Mutual Bank Limited #

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 Limited

Macquarie Bank Limited

Maitland Mutual Building Society 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 *

p&nbank

Police Bank Limited

Queensland Country Credit Union

QPCU Limited

Rabobank, Australia Branch (Co-Operative Centrale Raiffeisen-Boerenleenbank B.A.)

Rabobank Australia Limited

RACQ Bank

Regional Australia Bank

Reserve Bank of Australia #

Royal Bank of Canada

Select Encompass Credit Union Limited

Southern Cross Credit Union Ltd

Standard Chartered Bank

State Bank of India

State Street Bank and Trust Company

Sumitomo Mitsui Banking Corporation

Summerland Credit Union Ltd

Suncorp-Metway Limited #

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

Unity Bank Limited

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

Cabcharge Australia Limited

First Data Resources Australia Limited

Fuji Xerox Australia Pty Limited

Genpact Australia Limited

Payments Express

Property Exchange Australia Limited

Transaction Network Services Australia Pty Ltd

Affiliate Members

(Issuers & Acquirers Community)

Banktech

Cardtronics Australasia Pty Ltd

Diebold Nixdorf

Gemalto

Giesecke & Devrient Australasia

IBM Australia Limited

Ingenico International (Pacific) Pty Ltd

NCR Australia Pty Ltd

Optus

Quest Payment Systems Pty Ltd

Thales

UL Transaction Security

Members as at 30 September 2017



GLOSSARY

ACDES	Australian Cash Distribution and Exchange System
APCS	Australian Paper Clearing System
ATM	Automatic Teller Machine
BECS	Bulk Electronic Clearing System
Blockchain	A distributed ledger
BPAY	See www.bpay.com.au
CNP	Card-not-present
COIN	Community of Interest Network
Direct Entry	Payments system for direct debits and direct credits
EMV	Europay, MasterCard, and Visa
Fintech	Collaboration between financial services companies and technology innovators
HVCS	High Value Clearing System
IAC	Issuers and Acquirers Community
ISO	International Organization for Standardization
NPP	New Payments Platform
OPAL	NSW public transport ticketing system
PCI	Payment Card Industry
PCI PTS	PCI PIN Transaction Security
PCI SSC	PCI Security Standards Council
PIN	Personal Identification Number
POS	Point-of-sale
PPT	Percentage point
RBA	Reserve Bank of Australia
SWIFT	Society for Worldwide Interbank Financial Telecommunications



Australian
Payments Network
Connect Inspire Thrive