



Australian  
Payments  
Clearing  
Association

# breaking & ground

Annual  
Review  
2014

APCA is the self-regulatory body and industry association for Australian payments. At APCA, payments organisations work together to improve the safety, reliability, equity, convenience and efficiency of the Australian payments system.

As a community, we are breaking new ground: laying the foundations for the Australian payments system of the future.

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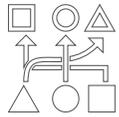


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# APCA exists to advance the common interest of our members and the interests of the Australian public in improving the Australian payments system.



## We do this through:

- enabling competition and innovation;
- promoting efficiency; and
- controlling risk



## Our role includes:

- thought leadership and advocacy;
- industry collaboration;
- self-regulation; and
- system-wide standards

APCA has nearly 100 members including the Reserve Bank of Australia, major and regional banks, building societies, credit unions, major retailers and other payments service providers. This year, we welcomed payment system operators as a new class of member, and four operators have joined so far.

members  
**100**

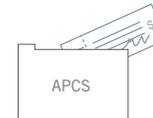
We work with government and public regulators and undertake our activities with transparency, fairness, rigour and integrity.



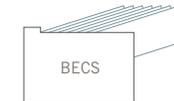
## APCA and the payments system infrastructure

Australia's payments system is financial plumbing for the economy. It is a complex mix of collaboration on regulation, standards, processes and infrastructure, and competition in the operation of payment systems and the delivery of payment services. Part of APCA's role is to manage non-competitive clearing systems and frameworks for the efficient exchange and settlement of funds among financial institutions and other payment providers.

## APCA clearing systems and frameworks



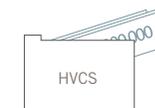
Australian Paper Clearing System for cheques



Bulk Electronic Clearing System for electronic payments including direct debit and direct credit (direct entry)



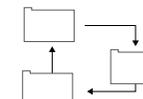
Consumer Electronic Clearing System for aspects of ATM and POS transactions



High Value Clearing System for settlement of high value, real-time payments



Australian Cash Distribution and Exchange System for trading of bulk coin and notes between banks



The COIN infrastructure system providing connectivity for APCS, BECS, CECS and potentially other payments

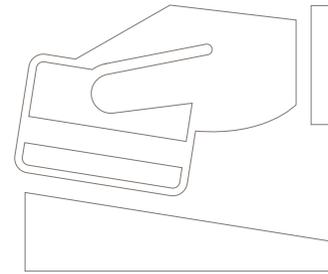
**17 billion**

In the 12 months to June 2014, Australian consumers and businesses made 17 billion non-cash payments for a value of nearly \$100 trillion.

The Australian payments environment is changing at an ever-quickening pace. In recent years, there has been a flood of new offerings for consumers, bringing with them the ability to take advantage of the emerging digital economy in many new ways.

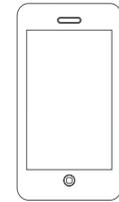
**\$44bn**

\$44 billion goes through the direct entry system on an average business day – more than double the value of purchases made on debit and credit cards in an entire month.



On average, there are 312 million debit card transactions at POS every month – that is 14 debit card purchases a month for every Australian.

65% of the Australian population are smartphone users and 41% of them have made a purchase using their smartphone.



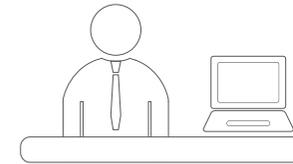
# 2014 snapshot

# highlights



Kicked-off the **New Payments Platform Program** to develop new, fast, flexible and data rich payments infrastructure for Australia and supported the NPP Steering Committee as it selected the program manager, developed business requirements and put the system development out to tender.

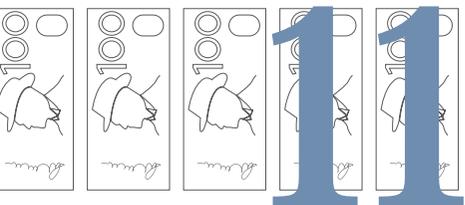
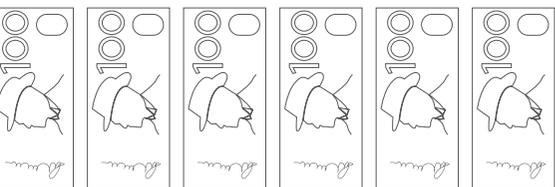
The payments convenience and innovation experienced by end users is supported by structural effort and evolution within the payments system itself. APCA works to promote the best infrastructure, and the best market environment, for the payments system of the future.



Adopted a new **Constitution** to recognise the growing diversity of interests in the increasingly dynamic payments space and provide a more inclusive and representative association of the Australian payments system.

Worked jointly with the Reserve Bank of Australia in establishing a **new strategic coordination body** – the Australian Payments Council – to foster ongoing improvements to the Australian payments system.

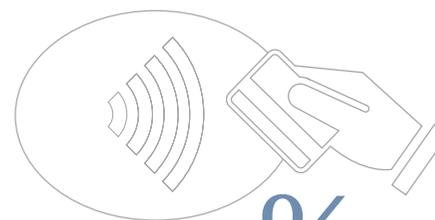
2014



There are eleven \$100 Australian notes in circulation for every man, woman and child in Australia.



There are over 826,000 POS terminals in Australia. This is equivalent to four terminals for every 100 Australians over the age of 15.



# 54%

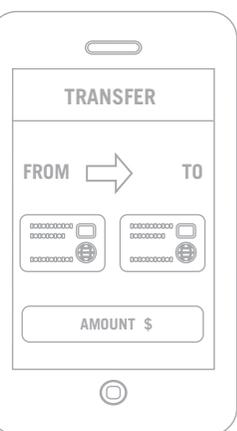
54% of Australian adults own a contactless card – one of the highest rates in the world. These cards can now be used at more than 320,000 contactless terminals across Australia.



Australia has three bitcoin ATMs – one each in Sydney, Canberra and Melbourne.

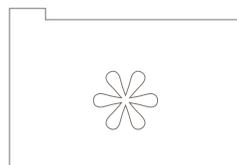
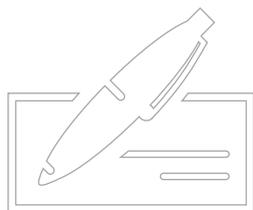
# 3

snapshot / highlights



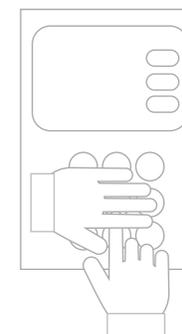
Introduced same-day settlement for direct debit and direct credit payments paving the way for the future evolution of low-value payments in Australia.

Released reports on **Australia's progress in transitioning payments to the digital economy**, including a landmark study on the evolution of cash, to ensure those relying on cheques and cash don't get left behind.



Made **industry submissions on payments system issues** including to the Financial System Inquiry tasked with establishing a direction for the future of Australia's financial system.

Produced a new **publication** to increase awareness among businesses and consumers about how they can help in the fight against payments fraud in Australia.



# chair ceo message



#### Thanks to our departing Chair Russ Rechner and directors

The Board of APCA changed significantly in the year of review, as the Members/ Community section describes. I would like to recognise and pay tribute to the important contribution of departing directors John Murphy and Tim Buckett, who served on the Board through a period of major change including fundamental governance reform.

Personal thanks and appreciation, not only from me but from the entire Board, must go to Russ Rechner, who stepped down as Chair after six years. His support was unstinting, his style collegiate. Russ had the knack of promoting robust debate but always with personal respect. His steady guiding hand has helped make us what we are today.

Australians have a proud history of home-grown adaptability in the face of new challenges, from the portable reel line that first saved the lives of surf swimmers on Bondi Beach in 1906 to polymer banknotes setting a new global standard for fraud resistance and durability of the national currency from 1988.

The theme of our 2014 review, “breaking ground”, recognises the new world facing us all as a result of the explosion of cloud, network and mobile technologies. Our payments system has served us well, but thanks to the “always on, always linked” world being ushered in by our mobile devices, it must adapt, and fast. We are not alone, of course: nearly every industry faces similar challenges in relation to digital disruption.

But “breaking ground” is also a metaphor for the payments industry response to this new world. We have in the last year or so begun laying the collaborative foundations for new industry infrastructure that, we hope, will position us for future adaptation, innovation and competition.

The first part of the review captures the evolution of the Australian payments industry in 2013–2014 through key milestones, statistical trends and significant developments in the marketplace for payment services. There is ample evidence of growth, innovation and new competition in our industry.

The remainder of the review explores our “breaking ground” theme from three distinct, but interrelated, perspectives:

- Industry collaboration to chart the future evolution of the payments system and its regulatory framework, particularly the creation of the Australian Payments Council (page 9); ➔

- Industry collaboration to develop reliable, secure and ubiquitous operational platforms for Australian payments to support future innovation in payment services, particularly the proposed New Payments Platform (page 15); ➔ and
- APCA’s own evolution as a more inclusive, industry body with the capability to drive future industry collaborative efforts, particularly the adoption of a new Constitution (page 21). ➔

Developing the payments network is not a task that ever ends. Continuous improvement is needed in response to a changing environment and changing user expectations. That said, systemic evolution usually goes in cycles, with periods of intense systemic development alternating with periods of rapid market-driven product and service innovation using the system. Our perception is that at least for the Australian industry those cycles are shortening and merging. Increasing payments competition is driving new product development even as the industry is collaborating to innovate at the systems level.

This makes for exhilarating but also exhausting times for those engaged in payments industry collaboration. This year, even more staff and executives of Australia’s payments institutions have given up their time to APCA, NPP and other industry efforts, working alongside APCA staff. In these extraordinary times, both members and staff have worked wonders, and we are deeply grateful for their efforts.



# the australian payments environment

**New technology and new ideas are fostering significant innovation within Australian payments. Both established providers and newcomers are driving enhanced and new offerings that are fundamentally changing the way we pay.**

Australians are continuing to embrace electronic and card-based payments. Fewer and fewer people are using cheques and a move away from cash is also apparent. While it is now possible to predict the disappearance of cheques from daily life within the next few years, cash is likely to decline in use but remain a default or reserve payment method. In particular, contactless card payments appear to have driven significant card growth, while dampening the use of cash at point-of-sale for smaller value transactions.

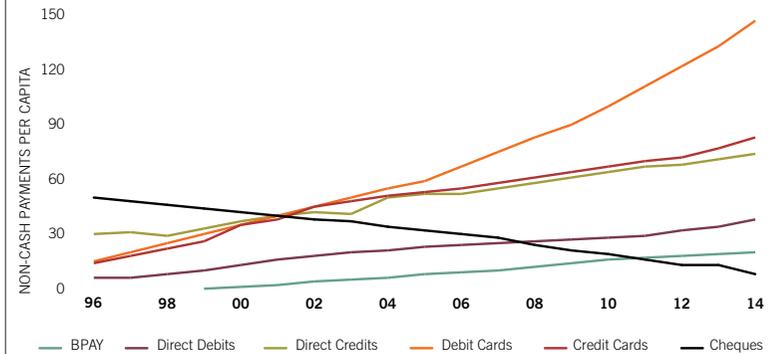
Open-loop contactless – “tap and go” cards – using near field communications (NFC) technology to communicate with a sales terminal have exploded in popularity with support from the international card schemes, issuers, acquirers and major retailers. Over half of all Visa and MasterCard transactions under \$100 at point-of-sale are now estimated to be contactless. There is also a maturing of closed-loop contactless card systems with the introduction of Opal transit cards in Sydney completing the rollout to capital cities on the mainland.

Financial institutions now offer a bevy of mobile banking and mobile payment initiatives including those that enable the mobile phone to replace the need for a physical card. An exciting development has been the emergence of host card emulation (HCE) which, in simplest terms, enables the secure element used for an NFC transaction to be stored in the cloud rather than on the SIM. Apple has recently announced the use of NFC technology for a new service, ApplePay, through its iPhone 6.

The card schemes have been developing and offering new products often targeted at the online market, such as Visa Checkout. The past year saw a wealth of new entrants in Australia including Stripe, and a tweet from Communications Minister Malcolm Turnbull declared that high-profile mobile POS provider Square would be coming to Australia soon.

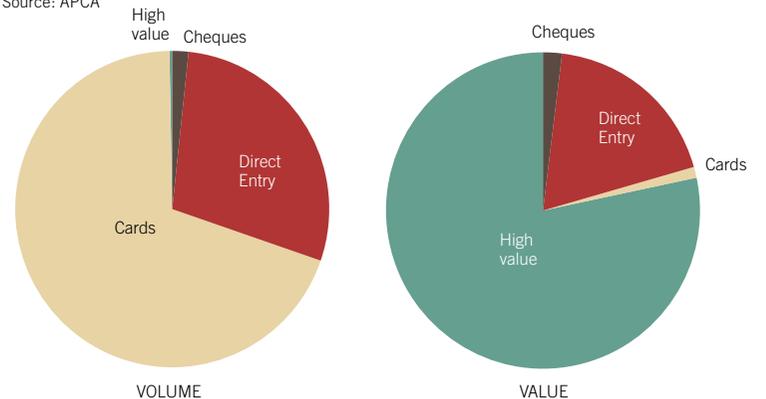
While product developments grabbed much of the limelight, infrastructure development also made ground. In addition to the major industry project to collaboratively develop the New Payments Platform, eftpos Payments Australia made significant progress on its hub, which will support new offerings such as contactless debit and online options by 2015.

OVERVIEW OF CONSUMER PAYMENTS  
Source: APCA, RBA



In comparison, cash use as a payment method is declining. New research commissioned by APCA and conducted by RFi Consulting found a significant drop in relative cash use in recent years, with less than half of all point-of-sale purchases now made with cash. This concurred with separate research by the Reserve Bank of Australia (RBA). The APCA/RFi Consulting study also found that cash as a share of total payments volume dropped from 73% in 2005 to 59% in 2013, with a further decline forecast to 43% in 2018. This strongly suggests a “less cash”, but not “cashless” Australian society in the future.

AUSTRALIAN PAYMENT SYSTEMS TRANSACTIONS 1 JULY 2013 – 30 JUNE 2014  
Source: APCA



# Consumer payment trends

**Australian consumers continue to embrace card and electronic payments. And while economic conditions can impact on year-to-year statistics, the overall trends are clear – the future is digital and cheques will eventually become obsolete.**

Australia's economic growth continued to be strong in the 12 months to March 2014. GDP growth for that period was 3.5 per cent, an improvement on the previous 12 month period of 2.5 per cent.

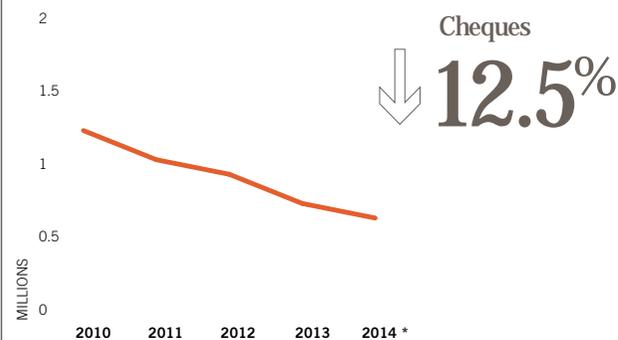
In this strong economic environment, more than 17.1 billion transactions for a value of \$97.1 trillion dollars were carried by the Australian payments system in 2013–2014. High value payments accounted for \$75.9 trillion, but only 21.1 million transactions. Non-cash retail payments accounted for the remaining 17.0 billion transactions for a value of \$22.3 trillion. A breakdown of these transactions by the most commonly used payments instruments follows.

## Cheques

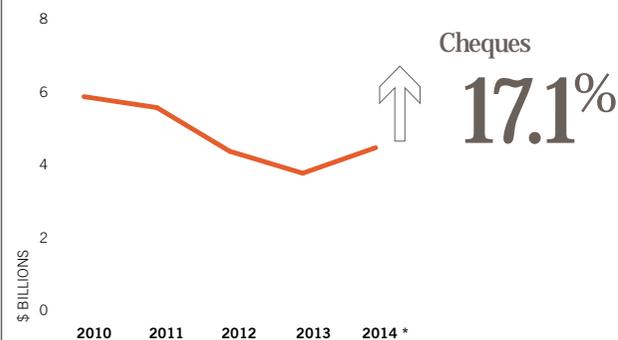
In Australia, cheques volumes have been steadily declining for more than a decade. In 2014, there were 700,000 cheques written per business day. This represents a 46 per cent decline from the 1.3 million cheques written in 2010.

Cheque values have been declining at a somewhat slower rate, reflecting the rapidly declining personal use but the resilience of cheques for increasingly specific business purposes. Values actually rose between 2013 and 2014 from \$4.1 billion to \$4.8 billion per business day. This could reflect higher value cheques being used in particular circumstances, for instance as a result of the recent residential property boom. Despite this jump, since 2010 cheque values have declined by 23 per cent in nominal terms.

AVERAGE NUMBER OF CHEQUES PER BUSINESS DAY IN MAY  
Source: APCA – www.apca.com.au



AVERAGE VALUE OF CHEQUES PER BUSINESS DAY IN MAY  
Source: APCA – www.apca.com.au



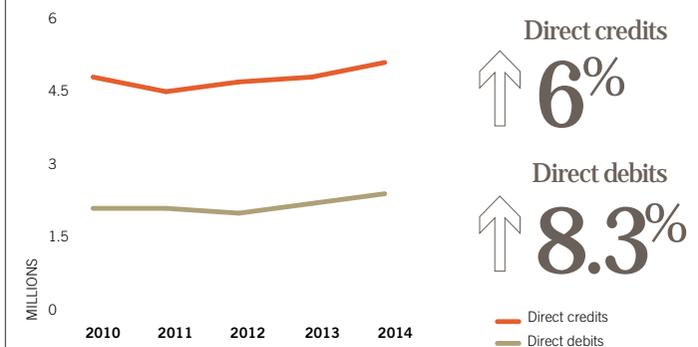
\* There is a break in the series due to revised data collection methodology

## Direct debits and direct credits

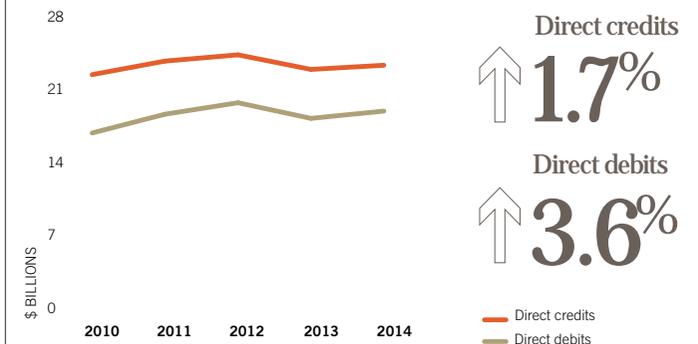
The direct entry system remains the workhorse of the Australian payments system. Volumes for both direct credit and direct debit are up in 2014, likely reflecting improved economic conditions. Values are also up, having been relatively steady for the past four years, reflecting the maturity of the system.

This year, direct credit volumes rose by 6.0 per cent to 5.3 million items per day. The value of these items also increased slightly from \$23.9 billion to \$24.3 billion. Direct debit volumes rose by 8.3 per cent to 2.6 million items per day. Direct debit values also increased slightly from \$19.2 billion to \$19.9 billion per day.

AVERAGE NUMBER OF DIRECT ENTRY TRANSACTIONS PER BUSINESS DAY  
Source: APCA – www.apca.com.au



AVERAGE VALUE OF DIRECT ENTRY TRANSACTIONS PER BUSINESS DAY IN MAY  
Source: APCA – www.apca.com.au

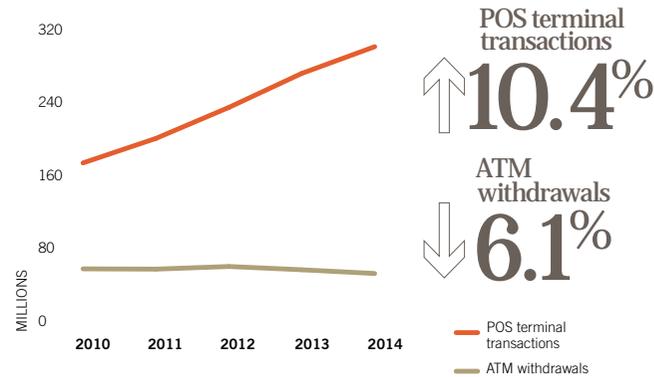


## Debit cards

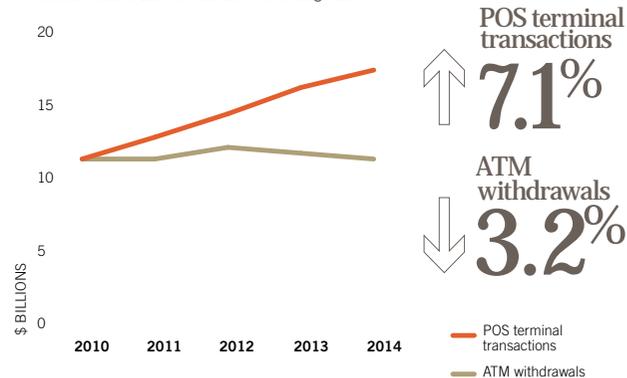
Debit cards at point-of-sale have seen an extraordinary increase in Australia, with annual double-digit increases in transaction volumes for much of the last decade. In 2014, there were slightly more than three debit card transactions per week for every person in Australia. Values have also risen, though at a slightly lower rate, suggesting increasing use of debit cards for lower value transactions.

The volume of ATM withdrawals has been steadily declining from a peak of 72.9 million in May 2008 down to 63.3 million in May 2014. More recently, values have joined in the decline dropping from \$12.8 billion in May 2012 to \$12.0 billion in May 2014. This significant decline is likely a reflection of the related decline in cash use at point-of-sale as well as the rapid take up of "tap and go" cards.

TOTAL NUMBER OF DEBIT (EFTPOS, MASTERCARD & VISA) CARD TRANSACTIONS IN MAY  
Source: Reserve Bank of Australia – www.rba.gov.au



TOTAL VALUE OF DEBIT (EFTPOS, MASTERCARD & VISA) CARD TRANSACTIONS IN MAY  
Source: Reserve Bank of Australia – www.rba.gov.au

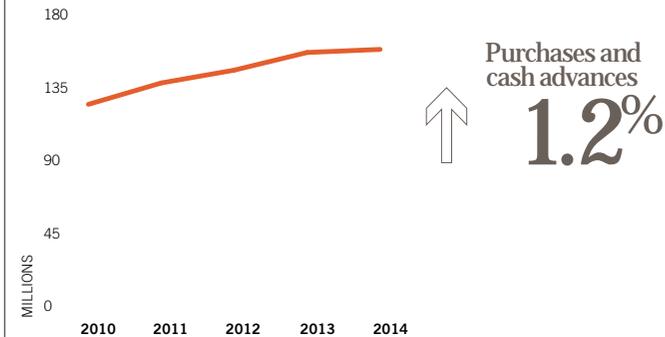


## Credit cards and charge cards

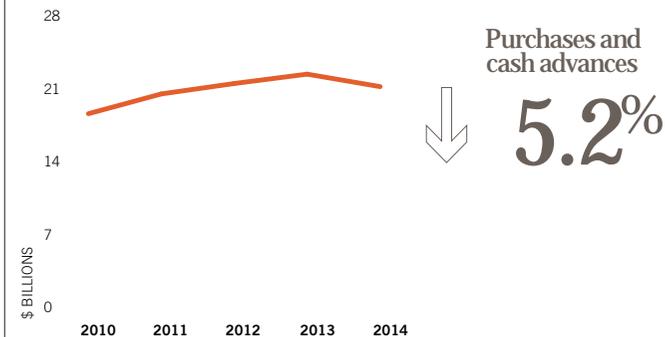
Credit card volumes have increased slightly in May 2014, following years of reasonably strong growth in the post-GFC period. Since 2010, credit card volumes have grown 25.9 per cent. The modest growth between 2013 and 2014 may reflect declining consumer confidence throughout the first half of 2014.

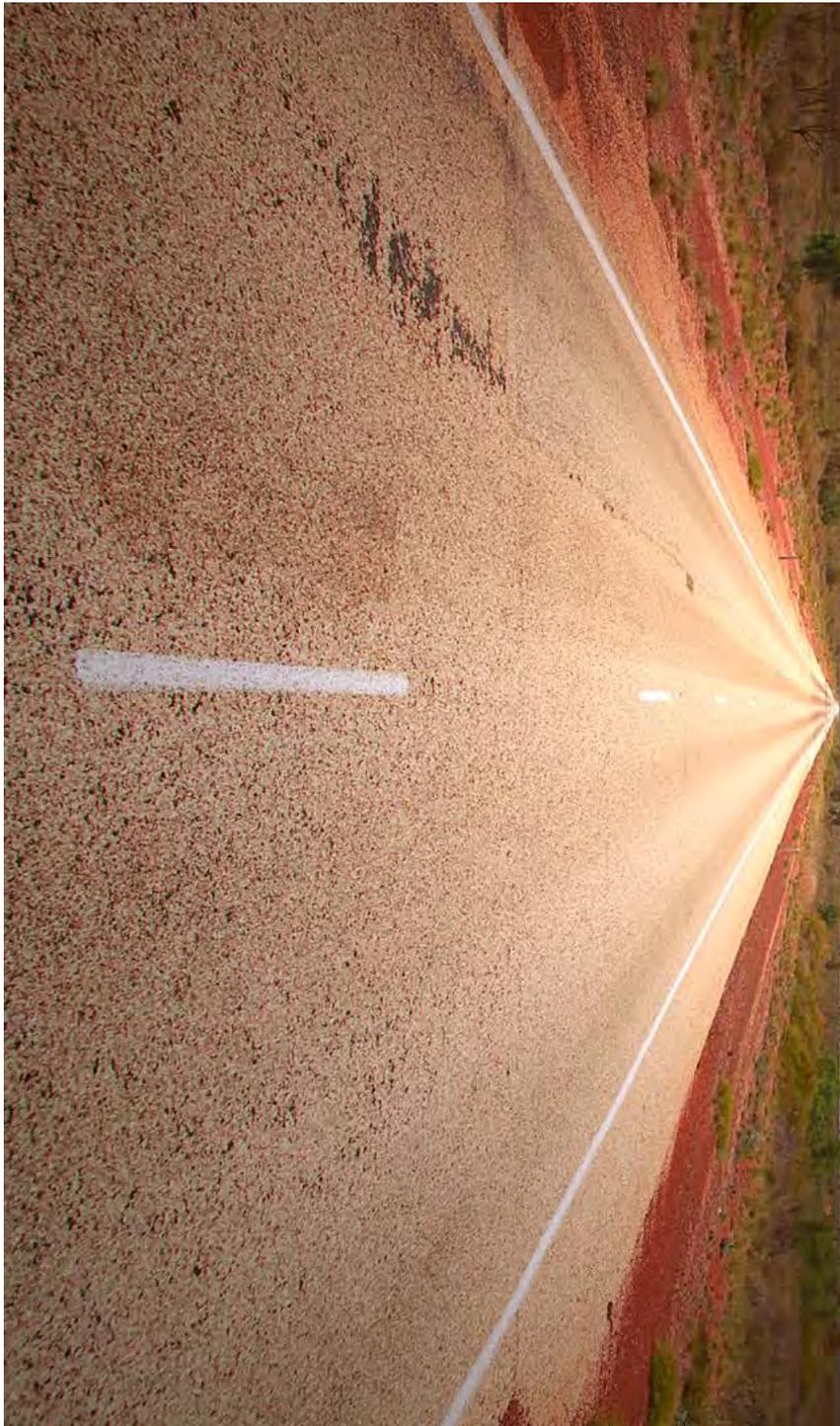
Credit card values have declined slightly in May 2014 again possibly due to the decline in consumer sentiment. Since 2010, credit card values have grown 13.3 per cent and over the past decade, they have doubled.

TOTAL NUMBER OF CREDIT/CHARGE CARD TRANSACTIONS IN MAY  
Source: Reserve Bank of Australia – www.rba.gov.au



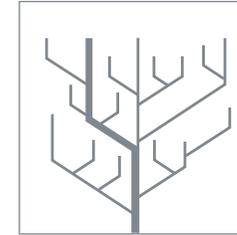
TOTAL VALUE OF CREDIT/CHARGE CARD TRANSACTIONS IN MAY  
Source: Reserve Bank of Australia – www.rba.gov.au





# evolution

# direction of payments



Improving the Australian payments system is a never-ending road, and one that payments organisations travel together. APCA's unique contribution to the journey is to help the industry work collaboratively together to decide what direction to take through research and thought leadership, and to provide the decision-making processes to make the best possible decisions on future direction.

In this section, we review both the directional decisions taken in the year of review, and some important developments designed to improve the clarity and quality of industry decision-making.

### Working with the Reserve Bank of Australia

In 2012, the Reserve Bank of Australia (RBA) released its Strategic Review of Innovation in the Payments System: Conclusions. The centrepiece was a set of five initial strategic objectives which established targets and timeframes for specific enhancements and asked the industry to work together to deliver them (see below). The Payments System Board (PSB) also proposed a better way of working with the industry to establish systemic priorities in the future.

#### RBA's Initial Strategic Objectives for Australian payments

- Same-day settlement of all Direct Entry payments (by end 2013)
- Real-time retail payments (by end 2016)
- Low-value payments outside normal banking hours (by end 2016)
- Send more complete remittance information with payments (by end of 2016)
- Address payments in simple manner (by end 2017)

The industry's response to the RBA Conclusions has been three-fold.

First has been the implementation of multiple same-day settlement within the direct entry system in November 2013, which has met the first of the initial strategic objectives (see page 18). ➔

Second, the RBA and APCA have worked together to establish the Australian Payments Council, which brings together key industry stakeholders within a new strategic forum for addressing the challenges facing the Australian payments system. The first meeting of the Australian Payments Council will be convened in October 2014 (see page 10). ➔

Third and most challenging has been the large-scale industry collaboration of the New Payments Platform (NPP) Program, designed to address the remaining four initial strategic objectives (see page 16). ➔

## The Australian Payments Council

**A key focus for APCA this year has been working jointly with the RBA to establish a new strategic body for the Australian payments industry, the Australian Payments Council.**

The Council's purpose is to foster ongoing improvements to the Australian payments system to ensure it continues to meet the changing payments needs of Australian businesses and consumers, and to provide a forum for direct engagement with the PSB.



**Submissions received from stakeholders**

### Consultation and stakeholder engagement

APCA and the RBA jointly initiated a formal public consultation process in October 2013 to seek views on the proposed governance arrangements. These included a proposed Council structure made up of representatives from leading payments organisations and a broader Payments Community of interested parties, from which the Council would be drawn.

At the close of the consultation in November 2013, 20 submissions had been received from stakeholders including financial institutions, payment schemes and alternative payments providers. All respondents generally supported the establishment of the new Council and the proposed membership and voting arrangements. APCA and the RBA held further discussions with respondents in early 2014, with a view to finalising a Participation Agreement. The formal consultation process was completed in April 2014.

### A new Payments Community

Payments organisations have been invited to join the Payments Community by subscribing to the Participation Agreement. In addition to having an opportunity to provide representatives to the Council, the Payments Community provides organisations with a venue to participate in the free exchange of information with the Council on its activities. By the end of September 2014, the Payments Community had 33 member organisations, the RBA and APCA. Membership continues to be open to any organisation with a significant interest in the Australian payments system.

### Announcing the Australian Payments Council

The formation of the Australian Payments Council was announced in August 2014 with the appointment of Christine McLoughlin as its inaugural independent chairman. Ms McLoughlin will lead a Council of members comprising senior executives drawn from a range of significant organisations in the Payments Community including financial institutions, card schemes, major retailers and other payment service providers as well as APCA and the RBA. Ms McLoughlin will also serve as Chairman of the Payments Community.

The Council provides a new industry forum for debating the implications of a dynamic payments environment and for identifying strategic industry issues. The Council will work to generate common industry positions for action and adoption by the industry, with endorsement by the PSB, through APCA and other industry vehicles. APCA is providing secretariat and support services to the Council and the Payments Community. The Council will hold its first meeting in October 2014.



**Christine McLoughlin**  
Australian Payments  
Council Chairman

council  
of 14  
members

### Financial System Inquiry

The Financial System Inquiry (FSI), chaired by David Murray, was established by the Government in late 2013 to review the Australian financial system and make recommendations on its future direction.

APCA made two submissions to the FSI, an initial submission in March 2014 and a second round submission in response to the FSI Interim Report released in August 2014. The APCA submission was built around three principles: regulation by functional equivalence, the benefits of a co-regulatory approach and the promotion of electronic payments. APCA also engaged directly with the FSI panel and secretariat as well as other stakeholders throughout the year.

The FSI Interim Report, released in July 2014, picked up on a number of issues and themes raised in APCA's first submission (amongst others), in particular the changing nature of payments, the impact of new technology and the challenge of regulating in a rapidly evolving environment.

The FSI will be making its recommendations to Government by November 2014. APCA looks forward to working with Government and stakeholders on the outcomes of the final report.

### Submissions and policy representations

APCA also made submissions to the RBA on proposed changes to the MasterCard and Visa access regimes. The RBA has proposed removal of the Specialist Credit Card Issuer (SCCI) category, which provided a prudential oversight mechanism to enable non-ADIs to become a card issuer and/or acquirer. While APCA acknowledged its preference for market-based and self-regulatory outcomes, the proposed change has broader regulatory framework implications that require attention, as illustrated by the Murray Inquiry's work on the "regulatory perimeter". APCA continues to work with RBA on the proposal.

APCA also made a submission to the Commonwealth Competition Review, chaired by Professor Ian Harper. In a brief submission, APCA raised concerns about regulatory coordination and complexity in competition issues, given the networked nature of the payments system.

APCA also participated in a number of other industry forums including as the representative of payment system service providers on the ASX Forum for the Code of Practice for Clearing and Settlement of Cash Equities in Australia.

# By 2018, cash usage predicted to drop by 20%

## Towards a digital economy

APCA issued Milestones Reports in December 2013 and August 2014 on the progress of transitioning payments to the digital economy. Both reports outline the accelerating decline in Australia's cheque use and note industry initiatives to ensure a smooth transition to electronic alternatives.

The Milestones Report issued in August 2014 has a particular focus on cash and was released together with APCA-commissioned research The Evolution of Cash: An Investigative Study. The new research undertaken by RFI Consulting shows that Australians are using less cash as the uptake of contactless and other electronic payments continues to gain pace. The number of cash payments has declined 5% since 2005 – reflecting the changing way consumers pay. This decline is predicted to accelerate, dropping a further 20% over the next few years before it plateaus in 2018.

APCA will continue to issue regular Milestones Reports to track the decline in paper payments, present the digital alternatives and ensure that those that still rely on cheques and cash are not left behind in the growing digital economy.

## Fraud prevention

APCA releases industry-wide card and cheque fraud data twice-yearly as part of the industry's commitment to counter payments fraud and to help the public understand payments fraud issues. This year, to complement the 2013 fraud data release, APCA produced a new report providing a graphical overview of payments fraud trends over the last six years and information on effective measures and practices to help combat fraud. *Australian Payments Fraud Details and Data* will be released on an annual basis.

## Improving security measures

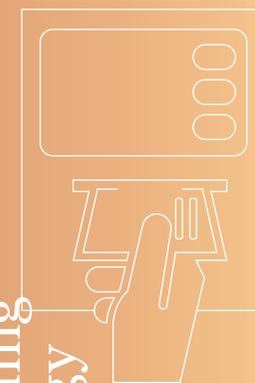
The payment fraud figures for 2013 show that Australian card fraud is increasing as part of a global trend, but that detection and prevention measures employed by the industry are showing promising results in keeping fraud levels down.

Australia's progressive migration to chip technology and the extensive use of PINs is having a significant impact on reducing counterfeit/skimming fraud. During the year, industry stakeholders worked together to introduce new PIN requirements at the point-of-sale, phasing out signatures as an authentication option from August 2014. The industry is also working to move the Australian ATM system away from magnetic stripe to chip technology to help combat skimming fraud.

## New fraud prevention forum

As part of its role in promoting the safety and integrity of Australian payments, APCA has established the Fraud in Banking Forum. This forum (which meets four times a year) is designed to provide a regular informal setting in which to promote open dialogue between the fraud teams in Australia's financial institutions and those in Australia's law enforcement community. The intention is to share information at a strategic level on current and emerging banking fraud trends which will allow the opportunity to explore specific issues and share information about new methods used by fraudsters.

Within a few years,  
all ATMs will have  
chip-reading  
technology



### Issuers and Acquirers Forum

APCA has established the new Issuers and Acquirers Forum to support the rapid evolution of Australia's card payment systems.

The new forum is part of APCA's broader drive to replace its current regime for the cards payments system – CECS – with a framework that allows participants to better manage collaboration across all card payments, including credit and charge cards, debit cards and prepaid cards.

The Forum provides a venue for card issuers and acquirers to debate and co-ordinate those non-competitive card and other card scheme-related issues that are not addressed by other regimes. It will facilitate discussions on system direction and evolution, applicable regulatory policy and other topics of mutual interest. The Forum held its first meeting in August 2014.

## meeting of the Issuers and Acquirers Forum

Stakeholder  
Forum  
meetings  
were held  
in 2013–2014

# 2

### Australian Payments Forum

The Australian Payments Forum (APF) was established by APCA in 2008 to bring together key payment stakeholders to consider ways to promote innovation and system evolution over the long term while ensuring healthy competition. This year, the APF gave away to the broader remit of the newly established Australian Payments Council and Payments Community. Its final meeting was held in August 2014 at which participants discussed the Financial System Inquiry Interim Report.

Professor Ian Harper had been the Convener of the APF since its inception. He brought an exceptional consultative approach to the APF, ensuring its success over the past six years. APCA thanks Professor Harper for his important contribution.

### APCA Stakeholder Forum

The APCA Stakeholder Forum (ASF) provides a venue to share information with a wide range of stakeholders, enabling stakeholders to contribute to and provide feedback to APCA on payments matters. Paul Lahiff has been independent chair of the ASF since mid-2013. Two Stakeholder Forum meetings were held in 2013-14. The July 2013 meeting focused on the newly established New Payments Platform Program. The February 2014 meeting dealt with the Financial System Inquiry as well as updates on the New Payments Platform and the Australian Payments Council.

### International liaison

Liaising with overseas payment associations and bodies provides an invaluable opportunity to share experiences and explore issues and developments. APCA continues to participate actively in the International Council of Payment Association Chief Executives (ICPACE). This body includes payment associations from other countries, including the US, UK, Canada, Ireland, South Africa and New Zealand, and provides a valuable forum for information sharing. ICPACE also facilitates joint research, including publishing research on ISO 20022 implementation. The ICPACE organisations met in June 2014 in Ireland. In 2015, the UK Payments Council will host the annual ICPACE meeting.

APCA regularly hosts international visitors and actively participates in overseas payments events. In 2013-14, APCA hosted groups of senior banking officials from Indonesia and Thailand. APCA also participated in a World Bank / Bank Indonesia forum on payments in Jakarta in February 2014 and presented at events such as SIBOS 2013 in Dubai, NACHA in April 2014 and the Canadian Payments Association's Payments Panorama in June 2014.

### Communications and media

Part of APCA's job is to raise public awareness of payments issues. It does this through its quarterly newsletter Payments Monitor, annual reviews and website as well as specialist publications and media coverage. In 2013–2014, the number of visitors to the website increased by 35% to over 235,000. Media coverage also increased significantly with most of the interest centred on the New Payments Platform Program, the decline of cheques, payments fraud trends and the Australian Payments Council. The APCA-commissioned landmark study on cash use attracted heightened media attention, making front page of mainstream newspapers on 27 August 2014.

# NEW PAYMENT SECURITY STANDARDS RELEASED

(Banking Day 12/11/2013)

# AUSTRALIA TO LEAD WORLD RETAIL PAYMENTS

(Australian Banking & Finance 29/08/2013)

## AUSTRALIAN NEW PAYMENTS PLATFORM CLAIMS NOVEL ARCHITECTURE

(Finextra 29/07/2013)

## Banks and retailers sign on for new Australian Payments Council

(Finextra 27/08/2014)

## PAYMENTS REFORM AT CRUCIAL STAGE

(Australian Financial Review 05/08/2013)

## FAST BANKING IS COMING SOON

(news.com.au 25/10/2013)

## \$10 BILLION UNDER THE BED: TAXPAYERS THE LOSERS IN AUSTRALIA'S GREAT BLACK MARKET CASH STASH

(Daily Telegraph 27/08/2014)

## BANKS THINK PINS COULD SIGN AWAY MOST CREDIT CARD FRAUD

(Australian Financial Review 22/01/2014)

## BANKS SEEK BUILDERS FOR THE FOUNDATIONS OF PAYMENT SYSTEMS

(Australian Financial Review 20/02/2014)

## SETTLEMENT MOVES TO FIVE TIMES A DAY

(Australian Financial Review 26/11/2013)

## APCA OPENS ITS DOORS TO THE WIDER PAYMENTS INDUSTRY

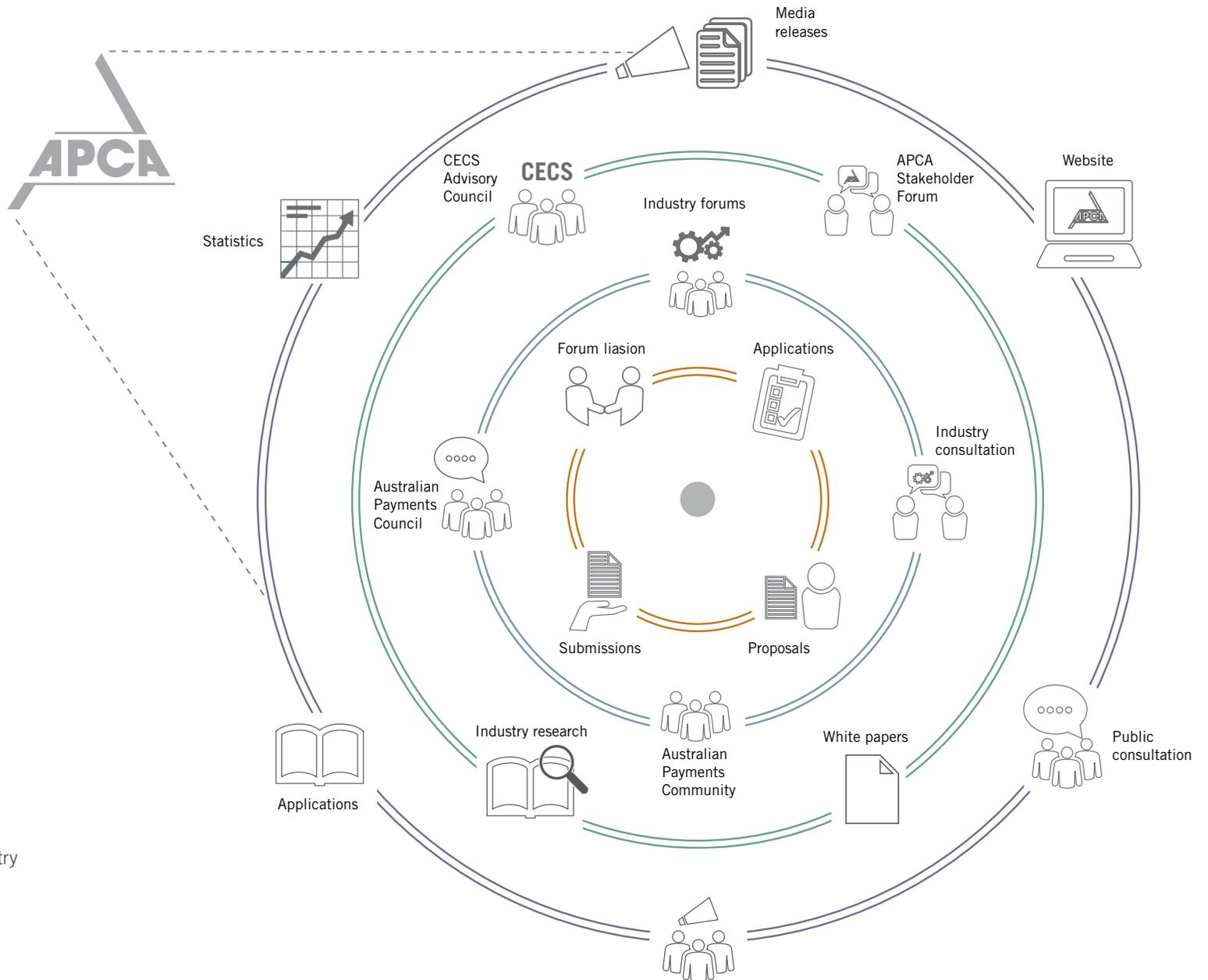
(Banking Day 07/07/2014)

## RBA, APCA consult on payments council

(Australian Banking & Finance 22/10/2013)

## CASH NO LONGER KING, CHEQUE ON DEATH ROW: STUDY

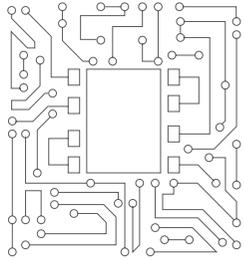
(Sydney Morning Herald 06/08/2014)



## Engagement for improving the payments system

The payments system touches everyone connected with the Australian economy. If APCA is to identify emerging needs effectively, secure industry collaboration for change promptly, and execute seamlessly, it needs to work with a wide range of stakeholders. Everyone has a contribution to make.

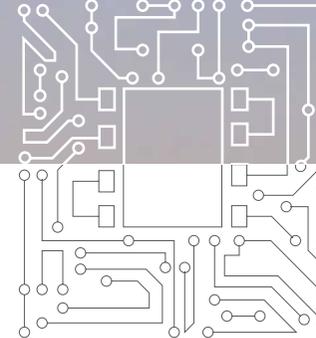
- **Community**  
Consumers and businesses
- **Payments stakeholders**  
Vendors, suppliers, consumer representative bodies, merchants, government departments
- **Payments system**  
RBA, financial institutions, card schemes, industry associations, major retailers & service providers
- **Regulators**  
RBA, ASIC, ACCC, APRA, Treasury



a good  
infrastructure

platform  
for the future

The best industry discussion and debate is necessary, but not sufficient, for payment system improvement. Collaborative decisions must be translated into collaborative action. In the modern payments system, this means developing and improving ubiquitous infrastructure to support diverse, competitive payment services. The year in review saw the industry completing renovation of long-standing payments infrastructure and breaking ground on entirely new infrastructure.



# Phase 1

## Towards a New Payments Platform



Paul Lahiff  
NPP Steering  
Committee Chair

**The New Payments Platform (NPP) Program is a major industry initiative to collaboratively develop new, fast, flexible and data-rich payments infrastructure for Australia. The Program aims to develop and deliver the business concept developed by a special purpose Real-Time Payments Committee and endorsed by the Payments System Board in early 2013.**

The Program kicked-off with the first meeting of the NPP Steering Committee on 20 June 2013. This peak body comprises senior representatives from the Australian banking and mutual sector, an alternative payments provider and APCA. An independent chair, Paul Lahiff, was appointed on 26 September 2013.

The NPP is being developed collaboratively by 17 authorised deposit-taking institutions (ADIs). The participants include Australia's four major banks, the mutual sector, regional banks, international banks, alternative payment providers and the Reserve Bank of Australia. All participants have the opportunity to review plans, budgeting, business requirements and technical concepts for the NPP as they develop, get involved in working groups and other forums and provide input to NPP decision-making.

APCA is administering the Program and has worked closely with KPMG which is acting as a Project Management Support Office.

### The New Payments Platform

The NPP comprises ubiquitous new basic infrastructure which will support payments innovation and the delivery of new services to Australian business and consumers. New payment services – called “overlay services” – will use the basic infrastructure to provide tailored services incorporating payments between the customers of participating ADIs. The intention is that a range of overlay services will be developed and offered to customers. In this way, the NPP has the potential to meet a wide range of needs including ones we don't yet know about.

The first overlay service will be an “initial convenience service”, to provide a compelling proposition for use of the basic infrastructure. It will be available at the same time as the basic infrastructure. Other, potentially competitive, overlay services are expected to develop over time.

The NPP will be available to all ADIs who choose to participate and will enable them to process a wide variety of fast data-rich payments for their customers. Development of the NPP has been split into eight phases – the first two were undertaken during the year.

### Phase 1: Define and Plan

A broad cross-section of industry executives led by KPMG worked collaboratively over a six-month period to develop detailed business and technical requirements to underpin the high-level business concept and develop a plan for the Program. Some 40 workshops were held during this phase.

In addition, three plenary workshops – known as “U-Collaborate” events – were facilitated by KPMG. These collaborative events promoted a shared understanding of the Program and each cycle of work. Up to 75 executives from across the 17 participants attended each of the two-day workshops which were held in Sydney in August and November 2013, and in Melbourne in October 2013.

Development work for the first phase was successfully completed in December 2013. More than 300 business requirements and a conceptual architecture for the proposed platform had been adopted, together with a detailed plan and indicative budget for future phases of development. High-level decisions about vendor engagement, to take place in the next phase, were also agreed.

## Phase

### Phase 2: Sourcing, Planning and Mobilisation

In January 2014, the Program began sourcing activities for the basic Infrastructure and the initial convenience service as well as planning for the utility company. To ensure participants were across the three work streams, a “Town Hall” was hosted by KPMG in March 2014 bringing together more than 80 representatives.

The Program undertook a rigorous process to select proposed solutions for the basic infrastructure and initial convenience service based on detailed business requirements developed collaboratively by the industry. 100 workshops were held during this phase.

#### Basic Infrastructure

From a wide range of initial expressions of interest in February 2014, six vendor groups responded to a detailed Request for Proposal (RFP). These were then shortlisted to three proposals which were assessed through presentations and documentation. The Program selected two-full service proposals for detailed solutioning and commercial negotiation in July and August 2014. At each stage, many technical and business representatives across the 17 participants were engaged in the selection process.

#### Initial Convenience Service

The sourcing process for payments providers with innovative concepts for the initial convenience service was undertaken in parallel with the basic infrastructure vendor sourcing. Following a pre-qualification process in March 2014, the RFP was released to successful payments providers in May 2014 with responses received the following month.

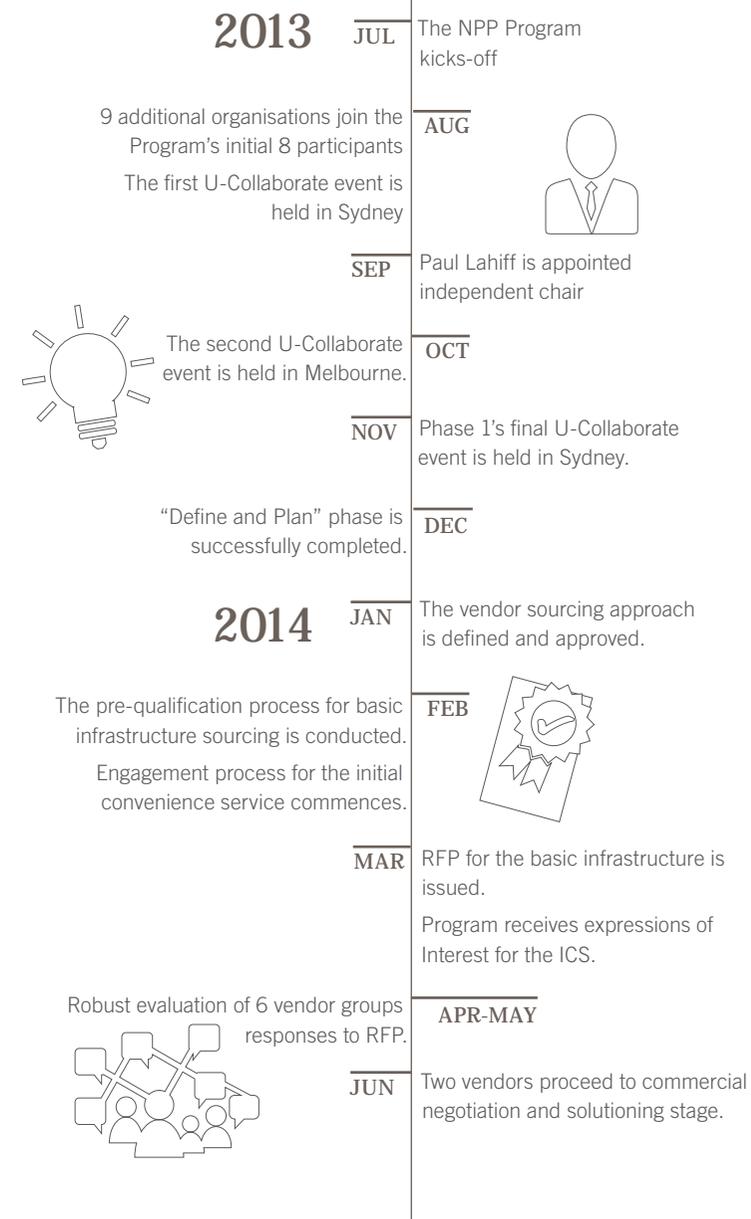
#### The utility company

Alongside the sourcing work, participants have also been working closely with KPMG to develop a participation structure for the utility company, NPP Australia Limited. This new special purpose entity will administer the ongoing operation of the basic infrastructure.

#### Towards the next phase

As at September 2014, the Program is engaged in legal review and participant commitment processes. All 17 participants are conducting their own assessment of the final fully costed proposal, including its implications for their own internal systems development programs. At the same time, the formal legal structure for the Program is being finalised. This entails both conclusion of contracting arrangements with vendors and establishing the final participation structure for NPP Australia Limited. Commencement of the Program’s Phase 3, Design and Elaborate, is planned for fourth quarter 2014.

### NPP key milestones



### Same-day settlement for direct entry

In November 2013, Australia's direct entry system moved from one settlement a day to five same-day settlements. This reform accords with an objective set by the Payments System Board in the Innovation Review Conclusions as well as an industry policy position adopted by APCA. The project, which was coordinated by APCA working closely with the RBA, involved internal operational and system changes by participants, industry testing and amendments to the direct entry procedures.

The move to multiple same-day settlement enhances a critical element of Australian payments infrastructure. Moving value during the day mitigates counterparty and operational risk and gives financial institutions flexibility in tailoring products to suit customer needs. The new settlement model moves the system forward, taking advantage of the functionality provided by the RBA's Low Value Settlement Service.

### Digital cheque clearing

As in other jurisdictions, cheque use in Australia continues to decline rapidly. APCA has been investigating ways to improve the efficiencies of cheque processing to help reduce the inevitable increase in margin costs as cheque volumes continue to drop. This year, participants of the Australian Paper Clearing System (Australia's cheques system) agreed to progress "digital cheque clearing", with completion expected in May 2015. This industry project will provide the capability to capture images of cheques at branches or centralised processing areas, removing the need to physically transport cheques as part of processing.

### Connecting payments to the NBN

APCA has been assisting ATM and EFTPOS deployers prepare for the National Broadband Network (NBN) rollout. Deployers must ensure their devices continue to work reliably once connected via the NBN, following which their old Telstra lines become due for disconnection. Although the NBN rollout has been underway for some time, disconnections of old Telstra lines began in May 2014 and will continue for several years. APCA held a number of industry workshops with NBN Co during the year and will continue to monitor progress to help facilitate a smooth transition of ATM and POS terminal connectivity to the NBN.

### Global messaging standards

APCA continues to be involved in the global development and maintenance process of new ISO20022 payment messages, representing Australia at the Payments Standards Evaluation Group and in the ongoing governance of ISO20022 through the Registration Management Group.

The ISO20022 messaging standard has continued to grow in use globally and will be a key part of the New Payments Platform. Over 350 message definitions have been developed using ISO20022 for numerous financial service contexts including payments, securities, foreign exchange, trade services and cards.

The  
**ISO20022**  
messaging standard  
will be a key part of the  
New Payments Platform

### Securing card payments infrastructure

Security standards are intrinsic to the safe working of the payments system. APCA is at the front line in the development of financial services standards at the domestic and international level. It is vital that standards strike a balance between ensuring safety, reliability and efficiency and allowing for innovation in payment systems.

APCA has participated in updating key ISO and PCI standards providing for stronger cryptography (such as updated PIN encryption using the new AES algorithm) and more resilient payment devices. New ISO standards are also being developed to ensure the ongoing security of mobile payments as this market continues to grow at a rapid pace.

APCA's device evaluation and approval process ensures PIN entry devices used for domestic card transactions meet best global practice for security. Approved Evaluation Facilities are accredited by APCA to perform evaluations of ATMs, POS terminals and other cryptographic devices against security standards. This year, APCA accredited German firm SRC Security Research. There are now seven AEFs: one in Australia, four in Europe and two in North America.

### Shaping industry standards

APCA plays an important role representing the industry on domestic and global standards bodies including:

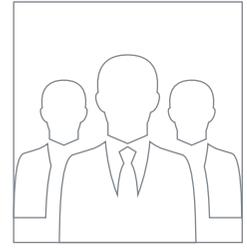
- ISO/TC68 Financial Services
- ISO/TC68 Financial Services/ Working Group 7 – ISO20022
- ISO/TC68 Financial Services/ Technical Group 1 – ISO20022
- ISO/TC68/SC2 Financial Services Security
- ISO/TC68/SC7 Core Banking
- ISO/ TC68/SC2/Working Group 11
- ISO/TC68/SC2/Working Group 13
- ISO/TC68/SC7/Working Group 10
- 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
- PCI SSC Terminal Application Security

**7** Approved Evaluation  
Facilities accredited  
by APCA



members

community



Despite a growing community role, APCA remains a member-driven organisation. Having the widest possible membership amongst payments organisations, and the best possible relations with members, is critical to fulfilling our mission.

## APCA renewed

**The new Constitution has positioned APCA for the future with a structure that better supports industry initiatives to meet the payments needs of Australians.**



On 1 January 2014, APCA adopted a new Constitution designed to recognise the growing diversity of interests in payments arising from structural and technological change and to provide a more inclusive and representative association of the Australian payments system.

The new Constitution has opened APCA membership to all participants and operators of recognised Australian payments systems. It has also introduced new voting entitlements for a broader range of system participants and provided for three independent directors with substantial voting power.

### **New membership structure**

There are now two major categories of membership: Participant Members and Operator Members.

Participant membership is open to any organisation that directly participates in at least one recognised Australian payment system. These currently comprise payment systems managed by APCA, the card schemes, BPAY and Austraclear and represent around 99% by volume and value of all Australian non-cash payments.

Participant members are either “appointing” members or “electing” members, depending on the level of activity in these recognised payment systems. The first elected directors were welcomed to the Board in June 2014.

Operator membership recognises the increasing importance of commercial operators of payments systems in the Australian economy. It seeks to engage them in industry strategy and policy objectives to improve the Australian payments system. By September 2014, American Express, Austraclear, BPAY and eftpos Payments had joined this important new membership category.

### **An expanded Board**

The way in which directors are selected and the number of votes they each hold more accurately reflect levels of participation across the various payment systems. Three independent directors with voting rights ensure public interest and broader community benefits are effectively considered in Board decision-making.

### **Membership**

APCA members work together on many different aspects of the safe, efficient operation and continuous enhancement of the Australian payments system. Through consultation papers, forums, committees and working groups we seek members’ engagement on all aspects of APCA’s work to improve the Australian payments system. As at September 2014, APCA has 99 members and 17 COIN participants.



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

Robert Craig has over 25 years' broad financial services experience across Australia, New Zealand and the United Kingdom in retail, business, payments, institutional banking, insurance and wealth management. He has been consulting to mid-sized and large corporates, specialising in leading large scale organisational transformation programmes since 2010. Currently, Mr Craig is Practice Leader – Transformation with Internal Consulting Group (ICG). Mr Craig was appointed as Chair and independent director of APCA in January 2014.

*Chairman of the Remuneration Committee.*



**Stuart A Woodward**  
BA (Hons), F Fin, GAICD  
(Deputy chair)

General Manager, Representation, Credit Cards, Payments and Retail Strategy, Retail Banking Services, Commonwealth Bank of Australia

Stuart Woodward has over 35 years' experience within the Commonwealth Bank Group, including retail and corporate banking, payment systems and merchant acquiring. He is a director of BPAY Pty Ltd, Cardlink Services Ltd, Charge Card Services Ltd, EFTPOS Access Australia Ltd and eftpos Payments Australia Limited and is a Councillor on the Northern Sydney UnitingCare Ageing Council. Mr Woodward was appointed as a director of APCA by the CBA in February 2005.

*Chairman and member of the Nomination Committee and Payments Policy Committee. Chairman of the Fraud Committee and the COIN Management Committee.*



**Paul J Apolony**  
F Fin, FAIM, FIPA, MAICD  
(Non-executive director)

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

Paul Apolony has over 32 years' experience in the banking industry including roles in Operations, Product Development and Strategy, specialising in Payments. Mr Apolony was initially appointed as a director of APCA in June 2007 and was elected by Electing Members in June 2014.

*Chairman of the High Value Clearing System and Australian Cash Distribution and Exchange System Management Committees. Member of the Audit, Risk & Finance Committee, Remuneration Committee and Payments Policy Committee.*



**Lindsay F Boulton**  
BA (Soc. Sc.), B Ec (Hons), GAICD  
(Non-executive director)

Head of Banking, Reserve Bank of Australia

Lindsay Boulton has over 30 years' experience in central banking covering economic analysis, financial markets, banking services, and risk management. He is non-executive director of Note Printing Australia Ltd and a member of its Audit & Risk Committee. Mr Boulton was appointed as a director of APCA by the RBA in June 2013.

*Member of the Audit, Risk & Finance Committee, Nomination Committee and Remuneration Committee.*

## Board of Directors

There were a number of changes to the board during the year including as a result of changes to the APCA Constitution.

Russell Rechner resigned as Chair in December 2013 after serving six years. Mr Rechner presided over a period of steady expansion in APCA's workload and increased value to the payments industry and its participants. This culminated in members voting for major constitutional changes to enhance industry governance in his last general meeting as Chair. APCA thanks him for his significant contribution and service.

Following Mr Rechner's resignation, Robert Craig was appointed as APCA's first voting independent Chair effective 1 January 2014. John Murphy resigned from the board in August 2013 and was replaced by Steve Baric. Mr Baric resigned in February 2014 and was replaced by Brett Watson. Tim Buckett resigned from the board in May 2014 and was replaced by David Carter who was elected by members. Jennifer Clark and Kate Mulligan were appointed to the board in June 2014 as voting independent directors.

The names and details of directors in office as at September 2014 follow.



**Chris G Campbell**

B Ec, M Bus (Finance), MAICD  
*(Non-executive director)*

Head of Payments Policy and Strategy, Westpac Group.

Chris Campbell has over 23 years' experience in banking and economics, including payments policy, finance, product management, operational risk and related areas, strategy and regulation. He is a non-executive director of NPP Australia Limited and Chairman of EFTPOS Access Australia Limited. Mr Campbell was appointed as a director of APCA by Westpac in April 2003.

*Chairman of the Consumer Electronic Clearing System Management Committee. Chairman and member of the Consumer Payments Committee and member of the Payments Policy Committee.*



**David A Carter**

B Com, GDip App Fin and Investment, CPA, F Fin, MAICD  
*(Non-executive director)*

Executive General Manager, Customer Development, Suncorp-Metway Limited.

David Carter is a member of Suncorp Bank's Executive Committee and is accountable for the payment streams, product management, segment and channel strategy, and marketing functions. He has over 24 years financial services experience in banking, life insurance, and wealth management at both Suncorp and ANZ. Mr Carter was elected a director of APCA by Electing Members in June 2014.

*Member of the Payments Policy Committee.*



**Jennifer R Clark**

FAICD  
*(Independent director)*

Jennifer Clark has over 20 years' experience as a banker specialising in financing major companies and infrastructure projects, and undertaking advisory roles to the Commonwealth Government. She has been a non-executive director since 1991. Ms Clark is currently a member of the boards of the National ICT Australia Ltd (NICTA) and the Australian Maritime Safety Authority (AMSA) and an independent member of a number of audit and risk committees. Ms Clark was appointed as an independent director of APCA in June 2014.



**Chris J Hamilton**

BA, LL.M, AAICD  
*(Chief Executive Officer & Executive director)*

Chris Hamilton has over 20 years' experience in financial services, particularly financial markets infrastructure, and six years' experience in securities law. He is a non-executive director of NPP Australia Limited. Mr Hamilton was appointed chief executive officer and executive director of APCA in January 2006.

*Member of the Audit, Risk & Finance Committee, Remuneration Committee, Payments Policy Committee and Consumer Payments Committee.*



**Paul A Inglis**

B Ec (Hons), MAICD  
*(Non-executive director)*

Head of Payments Industry, Australia and New Zealand Banking Group Limited.

Paul Inglis has over 25 years' experience in the banking industry in payments and economics; five years in government service, including Federal Treasury. He is a non-executive director of EFTPOS Access Australia Limited, Chairman of NPP Australia Limited, and a member of the global Payments Market Practice Group and of the SWIFT Payments Maintenance Working Group. Mr Inglis was appointed as a director of APCA by ANZ in July 1998.

*Chairman of the Bulk Electronic Clearing System Management Committee. Member of the Audit, Risk & Finance Committee, Consumer Payments Committee, Nomination Committee, Payments Policy Committee, Remuneration Committee, Consumer Electronic Clearing System Management Committee, High Value Clearing System Management Committee and COIN Management Committee.*



**David C Jay**

B Ec, MBA, FCPA, F Fin, FAMI, MIIA, MAICD  
*(Non-executive director)*

Chief Executive Officer, Australian Settlements Limited.

David Jay has over 25 years' experience in the banking industry with various ADIs which has included roles in financial markets, internal audit and retail banking. He is a non-executive director of the Australian Rugby League Referees Association and eftpos Payments Australia Limited. Mr Jay was appointed as a director of APCA by Building Societies members in August 2010.

*Chairman and member of the Audit, Risk & Finance Committee. Member of the Nomination Committee, Payments Policy Committee and Remuneration Committee.*



**Adrian Lovney**

LLB (Hons), MBA (Melbourne), AMP (Harvard), MAICD  
*(Non-Executive Director)*

General Manager, Product and Service, Cuscal Limited.

Adrian Lovney has over 15 years experience in financial services and is responsible for all product management and operational functions, marketing, sales, customer relationships and growth. Previously, he was General Manager, Strategy & Communication, responsible for leading the successful migration and transition of Cuscal's customers to a new and innovative payments platform. Mr Lovney was chief executive of Abacus Australian Mutuals from 2006 to 2008. He is a non-executive director of EFTPOS Access Australia Limited. Mr Lovney was appointed as a director of APCA by Credit Unions Members in February 2013.

*Member of the Payments Policy Committee and Consumer Payments Committee.*



**Kate A Mulligan**

BA, LLB (Hons), MAICD  
*(Independent director)*

Managing Director of King Irving Consulting Group.

Kate Mulligan has over 28 years' experience in financial services law and business, including senior roles at Allens, St George and ANZ, and managing director of fund managers Advance Asset Management and Ventura Investment Management. She is a non-executive director of Netwealth Group Ltd and its associated companies; Chair of Netwealth's Audit Committee and member of its Remuneration, Investment and Compliance and Risk Management Committees. Ms Mulligan was appointed as an independent director of APCA in June 2014.



**Brett J Watson**

BSc (Hons), Graduate Diploma Banking and Finance, MAICD  
*(Non-executive director)*

General Manager, Transaction Products and Payments Everyday Banking & Payments, Product & Markets, National Australia Bank Limited.

Mr Watson has over 20 years' experience in banking and finance in product management, technology delivery and project management roles and with a specific focus on payments. He is a non-executive director of EFTPOS Access Australia Ltd. Mr Watson was appointed as a director of APCA by NAB in April 2014.

*Chairman of the Australian Paper Clearing System Management Committee. Member of the Consumer Payments Committee and the Payments Policy Committee.*

# Governance framework

## The board of directors

The board comprises an independent chairman, the chief executive officer, non-executive directors appointed by the company's members, and two additional independent directors. The 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 a board-appointed, non-voting, executive director. The CEO manages the company's affairs under the broad guidance of the board. The CEO's performance against agreed goals is assessed on an annual basis by the board.

## Reserve Bank of Australia (RBA) 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 of directors and management committees, and currently has a representative on the board. As a substantial user of payment systems, the RBA is eligible for representation on the same basis as other members.

## Management committees

In accordance with the company's constitution, the board has established a management committee for each of the frameworks administered by the company, including its clearing systems and its infrastructure system (COIN). Acting under delegated authority from the board, management committees are responsible for the efficient operation and management of each framework.

## Board and management committee self-assessment

APCA promotes continuous self-assessment and also provides self-assessment tools for directors, management committee members and the internal management team.

## Other board committees

The board is empowered to establish other committees as it sees fit to assist in managing the company's affairs including the Audit, Risk and Finance Committee, the Nomination Committee and the Remuneration Committee for good corporate governance, the Payments Policy Committee and the Fraud Committee.

The Audit, Risk and Finance Committee's primary functions are to review the company's internal financial practices and audit results, monitor the effectiveness of the company's financial controls and administrative policies, monitor various risk exposures and statutory compliance matters, and review the company's budget and monitor expenditure against it.

The Nomination Committee's primary responsibility is to support and advise the board on matters relating to the eligibility, appointment and election of directors. The Remuneration Committee comprises the chairman and the members of the Audit, Risk and Finance

Committee. Its responsibilities are to establish remuneration policies and practices for the company generally and to recommend 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 the role, responsibilities and functions of the board. The board reviews the charter annually.

## Code of Conduct

All directors, management committee members and senior executive staff must comply with a Directors' and Officers' Code of Conduct. The Code was developed using a model from the Australian Institute of Company Directors. Directors and management committee members review adherence to the Code annually.

## Ethics, policies and procedures

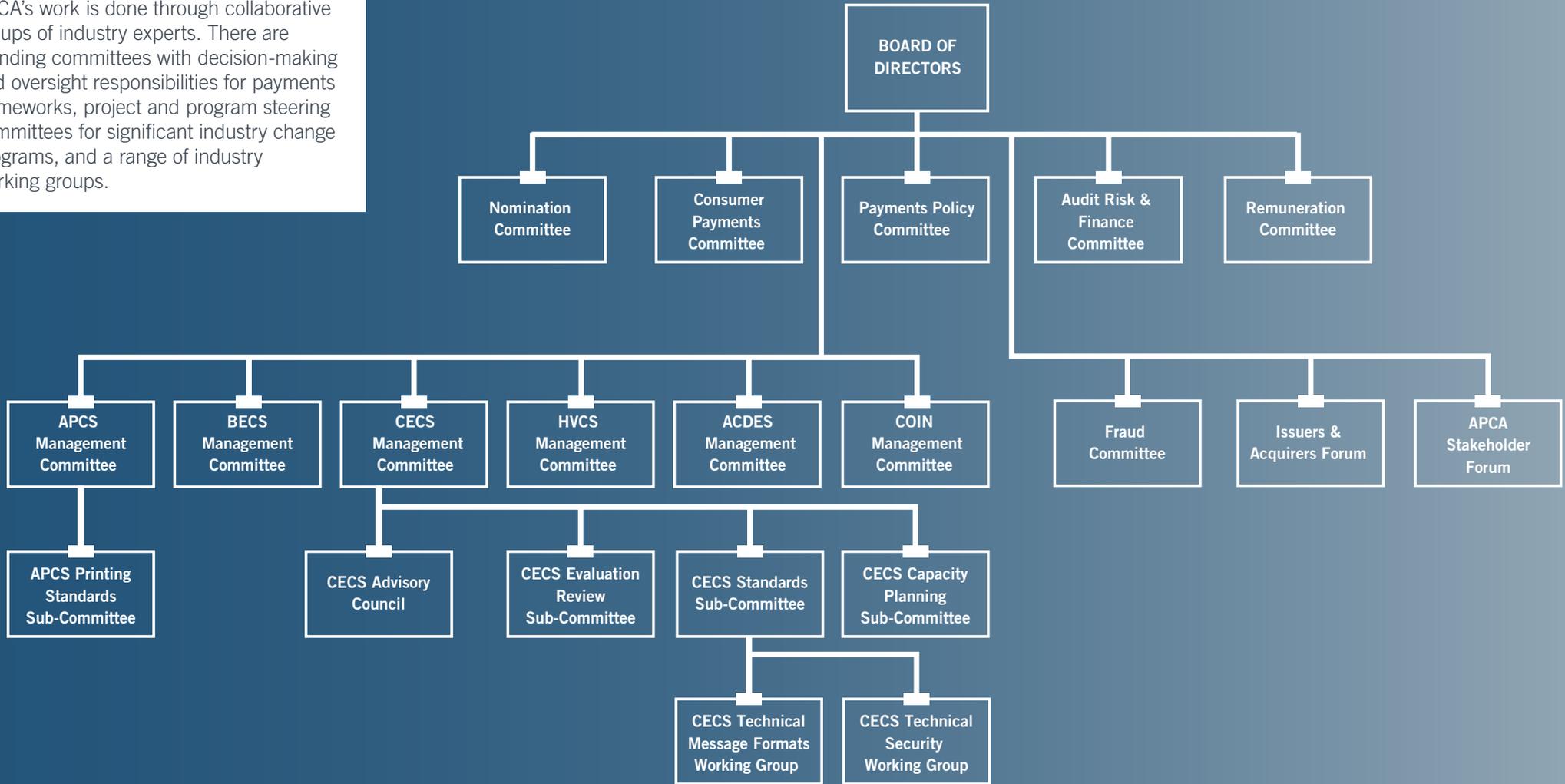
APCA promotes adherence to best practice and a high professional and ethical standard. A framework of management policies covers human resources, technology, external matters, finance and general management. It is reviewed by the Audit, Risk and Finance Committee and supported by management procedures that cover detailed implementation.

## Risk management

APCA has a well-defined risk management framework which is overseen by the board. Key risks are regularly reviewed and APCA's risk appetite is reassessed annually. Management has refined an externally developed risk framework to address changing risk appetites and environmental risks, and has submitted the risk framework to both internal and external audit review with positive results.

# Decision-making bodies

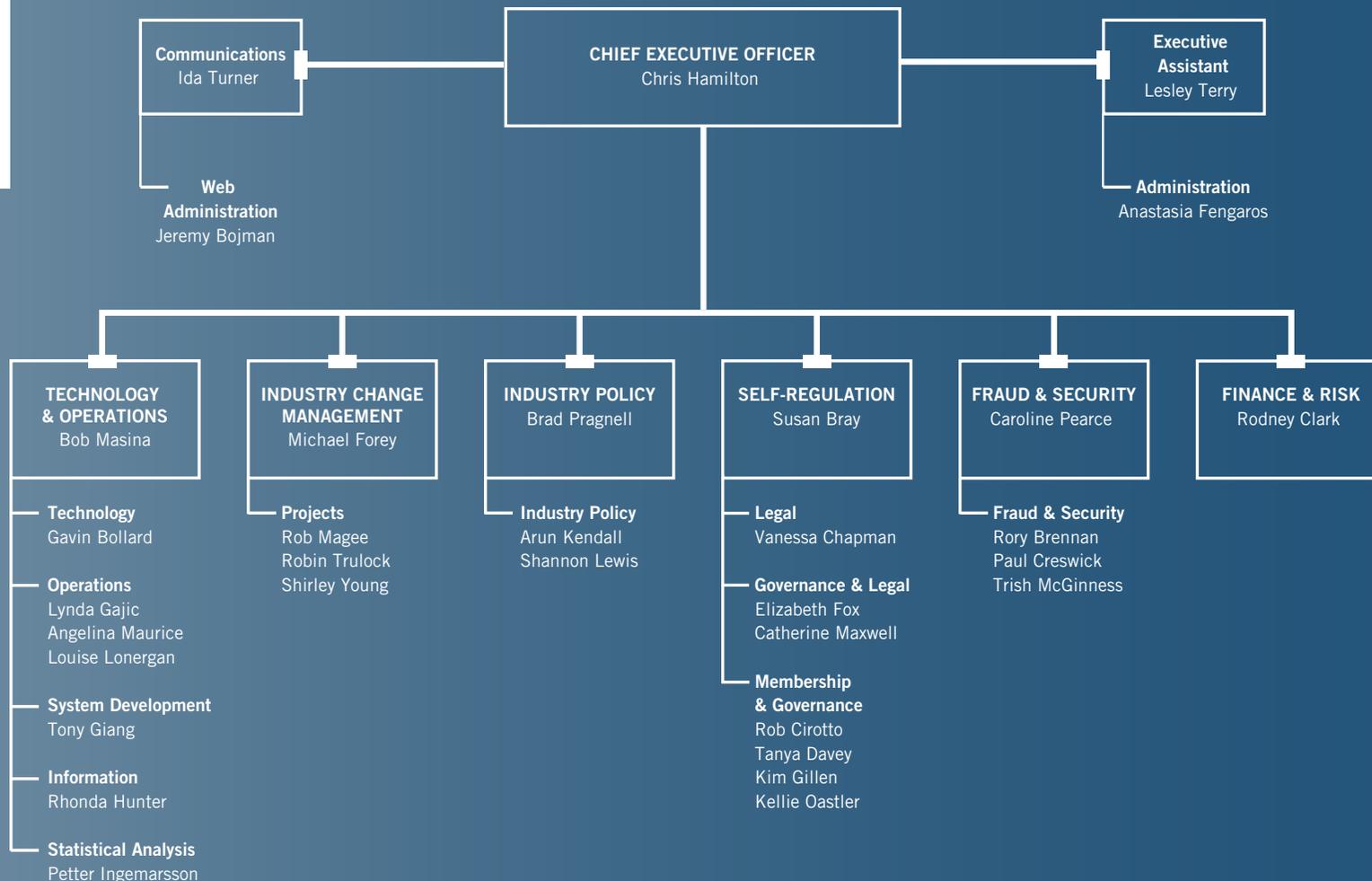
APCA's work is done through collaborative groups of industry experts. There are standing committees with decision-making and oversight responsibilities for payments frameworks, project and program steering committees for significant industry change programs, and a range of industry working groups.



# Our Team

APCA has benefited from an extremely stable organisational structure and very low staff turnover, even as our environment and role have changed markedly. The major changes catalogued in this Review have promoted a structural review to ensure we remain well-positioned for new challenges. The outcome of this is likely to emerge in the coming year.

As at September 2014



# Membership

As at September 2014



## Participant Members

AMP Bank Limited

Arab Bank Australia Limited

Australia and New Zealand Banking Group Limited ●

Australian Defence Credit Union Limited

Australian Settlements Limited (ASL)

B&E Ltd

Bananacoast Community Credit Union Ltd

BankVic

Bankwest (a division of Commonwealth Bank of 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 (The)

Barclays Bank plc

Bendigo and Adelaide Bank Limited

Big Sky Building Society Limited

BNP Paribas

BNP Paribas Securities Services

BOQ Specialist Bank Limited

Capricornian Ltd (The)

Cashcard Australia Limited

China Construction Bank Corporation, Sydney Branch

Citigroup Pty Ltd

CLS Bank International

Coles Group Limited ●

## Participant Members

Commonwealth Bank of Australia ●

Community First Credit Union Limited

Community Mutual Ltd

Credit Union Australia Limited

Cuscal Limited ●

Delphi Bank (a division of Bendigo and Adelaide Bank Limited)

Deutsche Bank AG

ECU Australia Limited

Encompass Credit Union Limited

Gateway Credit Union Limited

Greater Building Society Ltd

Heritage Bank Limited

Heritage Isle Credit Union Limited

Holiday Coast Credit Union Limited

Hong Kong and Shanghai Banking Corporation Limited (The) - 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

Macquarie Bank Limited

Maitland Mutual Building Society Limited

Maritime Mining & Power Credit Union Limited

mecu Limited

Mega International Commercial Bank Co, Ltd

Members Equity Bank Pty Limited

Mizuho Bank, Ltd

National Australia Bank Limited ●

Newcastle Permanent Building Society Ltd

Oversea-Chinese Banking Corporation Limited

## Participant Members

Police Bank Limited

Police & Nurses Limited

QT Mutual Bank Ltd

Queensland Police Credit Union Limited

Queensland Professional Credit Union Limited

Rabobank Australia Limited

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

Railways Credit Union Limited

Reserve Bank of Australia ●

Rock Building Society Limited (The)

Royal Bank of Canada

Royal Bank of Scotland N.V., (The) (Australia) Branch

Royal Bank of Scotland plc, (The) Australia Branch

Select Credit Union Ltd

SGE 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, Sydney Branch

Summerland Credit Union Ltd

Suncorp-Metway Limited ●

Sutherland Credit Union Ltd

Taiwan Business Bank, Sydney Branch

Teachers Mutual Bank Limited

Tyro Payments Limited ●

UBS AG, Australia Branch

United Overseas Bank Limited

Uniting Financial Services

Victoria Teachers Mutual Bank

Warwick Credit Union Ltd

Westpac Banking Corporation ●

Wide Bay Australia Ltd

Woolworths Limited

## Operator Members

American Express Australia Limited

Austraclear Limited

BPAY Pty Limited

eftpos Payments Australia Limited ●

## COIN Participants

Cabcharge Australia Limited

Cardlink Services Limited

Fiserv Solutions of Australia Pty Ltd

First Data International

Fuji Xerox Australia Pty Limited

Strategic Payments Services Pty Ltd

Unisys Credit Services Pty Limited

● Also a COIN Participant

## Glossary

A list of abbreviations and meanings throughout the Annual Review.

<b>ADIs</b>	Authorised deposit-taking institutions
<b>AES</b>	Advanced Encryption Standard
<b>APCS</b>	Australian Paper Clearing System
<b>ATM</b>	Automatic Teller Machine
<b>BECS</b>	Bulk Electronic Clearing System
<b>CECS</b>	Consumer Electronic Clearing System
<b>COIN</b>	Community of Interest Network
<b>Direct Entry</b>	Payments system for direct debits and direct credits
<b>eftpos</b>	Domestic debit card system
<b>FSI</b>	Financial System Inquiry
<b>GDP</b>	Gross domestic product
<b>HCE</b>	Host card emulation
<b>ISO</b>	International Organization for Standardization
<b>NFC</b>	Near field communications
<b>NPP</b>	New Payments Platform
<b>PCI</b>	Payment Card Industry
<b>PIN</b>	Personal Identification Number
<b>POS</b>	Point-of-sale
<b>PSB</b>	Payments System Board
<b>RBA</b>	Reserve Bank of Australia
<b>SWIFT</b>	Society for Worldwide Interbank Financial Telecommunications



**Australian  
Payments  
Clearing  
Association**

**Australian Payments Clearing Association Limited**  
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