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In reply please quote *PY*

17 November 2006

The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Sir

APCA'S APPLICATION FOR AUTHORISATIONS IN RELATION TO THE HIGH VALUE CLEARING SYSTEM

Thank you for your letter of 25 October in respect of reauthorisation of certain provisions of the Australian Payments Clearing Association's High Value Clearing System (HVCS) Regulations and Procedures.

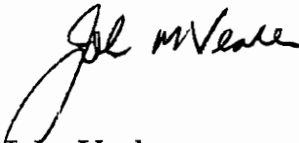
The HVCS is a feeder system to Australia's real time gross settlement RITS. RITS is a systemically important payment system that settles interbank transfers of around \$160 billion a day of which \$100 billion relate to the HVCS. We note that the means by which HVCS inter bank payments instructions are conveyed to RITS is via SWIFT.

In the unlikely event that RITS was unavailable, the HVCS has the capacity to exchange payments for net settlement. To ensure that the settlement of any payments exchanged in those circumstances are final, the HVCS has been granted an approval by the Reserve Bank of Australia under Section 12 of the *Payment Systems and Netting Act* (PSNA). The PSNA specifies that, before approving an arrangement, the Reserve Bank must be satisfied that certain provisions are met.

One provision is that the rules governing the arrangement provide that if a party to the arrangement goes into external administration, the coordinator may exclude the party from the arrangement. For the HVCS, that provision is met by Regulations 5.16, 5.24 and 5.26.

If reauthorisation does not proceed and, as a consequence, APCA removes those provisions from their regulations, the PSNA approval may be void. In that circumstance there is a possibility that systemic disruption could result from the failure of a participant in the HVCS. Accordingly the Reserve Bank supports reauthorisation.

Yours faithfully

A handwritten signature in black ink, appearing to read 'John Veale', with a large, stylized initial 'J'.

John Veale
Head of Payments Policy Department