

4 March 2014

Dr Richard Chadwick
General Manager – Adjudication Branch
Australian Competition and Consumer Commission

By email: adjudication@acc.gov.au

Dear Dr Chadwick

**Consumer Electronic Clearing System (CECS)
Authorisations A30228 and A30229**

We refer to our email correspondence on 4 September 2013 regarding APCA's governance review project.

Following completion of the review and company approval of constitutional changes, CECS members approved a number of variations to the CECS Regulations, to apply from 1 January 2014. The substantive amendments are summarised in the attached schedule.

As foreshadowed, notwithstanding minor changes to terminology and clause numbering, the provisions of the CECS Regulations which are subject of existing authorisations A30228 and A30229 are substantively unchanged. Accordingly, we consider that an application for minor variation to the authorisations pursuant to section 91A(1) is unnecessary.

Please feel free to contact me (vchapman@apca.com.au) or Susan Bray, Head of Regulation on (02) 9216 818 or at (sbray@apca.com.au) if you have any questions.

Yours sincerely



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SCHEDULE

Summary of Relevant Changes to CECS Regulations

Terminology and Format

CECS is re-characterised as a Framework and “CECS members” are referred to as Framework Participants. The document has been reformatted and, since provisions without current application have been deleted, re-numbered.

National Transaction Volume (NTV) and Payment System Market Share (PSMS) (Regulation 7.7)

Under the Constitution, the concept of NTV – which has traditionally been used to calculate members’ voting rights and funding obligations - is replaced with the concept of PSMS. PSMS is calculated by reference to a member’s activity in each of APCA’s clearing systems including CECS Market Share (CMS). CMS is calculated using substantially the same data used to calculate NTV but the formula and method of calculation is expressed more succinctly. CMS is the basis for Framework Participants’ voting entitlements at general meetings (Regulation 8.18).

Fees (Part 6)

The fee structure applicable to CECS obliges Framework Participants to pay the fees set by the Board: a fixed Framework Fee and a fixed/proportionate Corporate Fee, in lieu of annual proportionate operating costs previously levied on CECS members. Existing entrance fees and Non-Member Certification Fees are retained.

Voting Rights (Regulations 2.1(d) and 4.5(a)(ii))

All Framework Participants are to be voting members of the Company.

Management Committee Composition and Procedures (Part 7)

Management Committee composition includes elected members, as well as members nominated by Framework Participants with 5% or greater CMS, reflecting Board composition under the Constitution which now provides for 3 independent Directors. Grandfathering arrangements preserve the appointment rights of the building society/credit union and mutual members. Nominee voting entitlements reflect CMS referable to the nominating Framework Participant. Term of office is amended to be 3 years.