

4 March 2014

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

By email: adjudication@accc.gov.au

Dear Dr Chadwick

**High Value Clearing System (HVCS)
Authorisations A91281 to A91283**

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, HVCS Participating Members approved a number of variations to the HVCS 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 HVCS Regulations which are subject of existing authorisations A91281 to A91283 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 HVCS Regulations

Terminology and Format

HVCS is re-characterised as a Framework and "Participating 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 the HVCS Market Share (HVMS). HVMS is calculated using substantially the same data used to calculate NTV but the formula and method of calculation is expressed more succinctly. HVMS is the basis for Framework Participants' voting entitlements at general meetings (Regulation 8.18).

Fees (Regulation 6)

The fee structure applicable to HVCS 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 HVCS Participating Members. Existing entrance fees are retained.

Voting Rights (Regulation 5.8)

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 HVMS, 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 HVMS referable to the nominating/electing Framework Participant/s. Term of office is amended to be 3 years.