



# Banking (prudential standard) determination No. 4 of 2023

## Prudential Standard APS 910 Financial Claims Scheme

### *Banking Act 1959*

---

I, Clare Gibney, a delegate of APRA:

- (a) under subsection 11AF(3) of the *Banking Act 1959* (the Act) REVOKE Banking (prudential standard) determination No. 2 of 2013, including *Prudential Standard APS 910 Financial Claims Scheme* made under that determination; and
- (b) under subsection 11AF(1) of the Act DETERMINE *Prudential Standard APS 910 Financial Claims Scheme*, in the form set out in the schedule, which applies to ADIs to the extent provided in paragraph 2 of the prudential standard.

This instrument commences on 1 October 2023.

Dated: 6 September 2023

Clare Gibney  
Executive Director, Policy & Advice  
APRA

### **Interpretation**

In this instrument:

**ADI** has the meaning given in section 5 of the Act.

**APRA** means the Australian Prudential Regulation Authority.

## **Schedule**

*Prudential Standard APS 910 Financial Claims Scheme* comprises the document commencing on the following page.



# Prudential Standard APS 910

## Financial Claims Scheme

### Objective and key requirements of this Prudential Standard

This Prudential Standard sets out the minimum requirements that a locally incorporated authorised deposit-taking institution (ADI) must meet to ensure that it is adequately prepared, should it become a declared ADI for Financial Claims Scheme (FCS) purposes. The Board and senior management of an ADI are ultimately responsible for ensuring that appropriate policies and procedures are in place to ensure the integrity of the operations, internal controls and information required under this Prudential Standard.

The key requirements of this Prudential Standard are that an ADI must:

- identify each unique account-holder, to the extent practicable;
- develop and implement a Single Customer View;
- be able to generate and transmit payment instruction information for payment by electronic funds transfer and/or cheque in respect of each account-holder;
- facilitate the collection of an account-holder's alternative ADI account data to which an EFT payment may be made for FCS purposes;
- generate and provide reports to APRA and to account-holders and other parties on APRA's behalf;
- facilitate communications with account-holders and other relevant parties;
- comply with requirements specified from time to time by APRA for the purpose of testing the generation of Single Customer View data, the generation and transmission of payment and reporting information and communications arrangements;
- ensure that the systems and data required by this Prudential Standard are subject to external audit; and
- provide an attestation by the Chief Executive Officer.

**Table of contents**

Authority .....	3
Application .....	3
Commencement .....	3
Interpretation .....	3
Definitions.....	3
Single Customer View .....	4
Time for generating SCV data.....	5
Generation and transmission of payment instruction information .....	5
Payment methods .....	5
Capturing alternative ADI account data .....	5
Time for generating and transmitting payment instruction information .....	6
Reports.....	6
Time for generating and transmitting reports to APRA .....	6
Communications .....	7
Testing .....	7
Audit.....	8
Attestation .....	8
Adjustments and exclusions.....	9
Previous exercise of discretion.....	10
<b>Attachment A</b> .....	<b>11</b>
Account-holder information.....	11
Account details .....	11
Account-holder aggregate details .....	11
<b>Attachment B</b> .....	<b>14</b>
Principles for account aggregation.....	14
Calculation of end-of-day deposit balances .....	14
Process for determining end-of-day position.....	15
Declaration of a direct participant.....	15
Accrued interest .....	17
Treatment of unsettled payments .....	18
<b>Attachment C</b> .....	<b>19</b>
Account-holder FCS balance and payment details .....	19
Account priority .....	19
Apportionment when the aggregate account-holder entitlement is above the FCS limit .....	20
ADI summary account-holder and payment data .....	20

## Authority

1. This Prudential Standard is made under section 11AF of the *Banking Act 1959* (**Banking Act**).

## Application

2. This Prudential Standard applies to all authorised deposit-taking institutions (**ADIs**) except for **foreign ADIs** and **purchased payment facility providers**.

## Commencement

3. This Prudential Standard commences on 1 October 2023.

## Interpretation

4. In this Prudential Standard:
  - (a) terms that are defined in *Prudential Standard APS 001 Definitions* appear in bold the first time they are used in this Prudential Standard. Where this Prudential Standard requires a thing to be done, that requirement is to be read as excluding the operation of subsection 36(2) of the *Acts Interpretation Act 1901*;<sup>1</sup>
  - (b) where APRA may exercise a power or discretion, this power or discretion is to be exercised in writing; and
  - (c) unless the contrary intention appears, a reference to an Act, Regulations or Prudential Standard is a reference to the Act, Regulations or Prudential Standard as in force from time to time.

## Definitions

5. In this Prudential Standard:
  - (a) ‘AEST’ means Australian Eastern Standard Time;
  - (b) ‘Alternative ADI account data’ refers to the BSB and account number details at an alternative ADI to which EFT payment may be made in the event that the ADI is a declared ADI;
  - (c) ‘Approved form’ means a form approved, in writing, by APRA and which APRA publishes on its website from time to time;
  - (d) ‘ATM’ refers to automatic teller machine;
  - (e) ‘ATO’ refers to the Australian Taxation Office;

---

<sup>1</sup> Consequently, when a requirement falls due on a non-business day, it must be done by that day, not the next occurring business day.

- (f) 'declared ADI' has the meaning in subsection 5(1) of the Banking Act;
- (g) 'electronic banking' means all electronic delivery channels, such as internet banking, telephone banking and mobile phone banking, which are accessed using a unique customer identification and password;
- (h) 'EFT' refers to electronic funds transfer;
- (i) 'EFTPOS' refers to electronic funds transfer at point of sale;
- (j) 'end-of-day' means 9.00 am AEST on the day following the date on which the Minister's declaration is made under section 16AD of the Banking Act in relation to an ADI or, for testing purposes, 9.00 am AEST on the day following the date on which APRA requests that the information be generated by an ADI;
- (k) 'FCS' refers to the Financial Claims Scheme for ADIs provided for under the Banking Act;
- (l) 'FCS limit' means the limit on payments to an **account-holder** with a declared ADI, as set out in the Regulations;
- (m) 'FCS balance' means the aggregate amount an account-holder is entitled to be paid by APRA in respect of protected accounts under Part 2, Division 2AA of the Banking Act, being not more than the FCS limit;
- (n) 'prescribed account' is an account prescribed under subsection 16AH(5) of the Banking Act;
- (o) 'protected account' has the meaning in section 5 of the Banking Act;
- (p) 'Regulations' refers to the *Banking Regulation 2016*; and
- (q) 'SCV' refers to Single Customer View.

### **Single Customer View**

- 6. An ADI must identify each unique account-holder, to the extent practicable, for the purposes of being able to pay an account-holder who holds a protected account should the ADI be a declared ADI under section 16AD of the Banking Act.
- 7. An ADI must be able to generate the aggregate balance of all protected accounts held by an account-holder in the form of an SCV.
- 8. An ADI must maintain its SCV systems and the SCV data generated by those systems in Australia, unless otherwise approved by APRA.
- 9. An ADI must:
  - (a) include in its SCV the information set out in Attachment A; and

- (b) comply with requirements concerning account aggregation and end-of-day positions set out in Attachment B.

### **Time for generating SCV data**

- 10. An ADI must generate SCV data from its end-of-day deposit balances not later than 48 hours after the end-of-day on which:
  - (a) a declaration is made under section 16AD of the Banking Act; or
  - (b) APRA requests the ADI to generate the data.

### **Generation and transmission of payment instruction information**

- 11. An ADI must be able, to the extent practicable, to identify payment instruction information for each account-holder according to principles set out in Attachment C.
- 12. To enable the payment to an account-holder who holds a protected account, an ADI must be able to generate and transmit payment instruction information to a person (paying agent) nominated by APRA, using any of the payment methods specified in this Prudential Standard.

### **Payment methods**

- 13. The payment methods specified under this Prudential Standard are:
  - (a) electronic funds transfer (EFT) made by the Reserve Bank of Australia (RBA), or another paying agent nominated by APRA, to an account held by an account-holder at another ADI; and
  - (b) cheque drawn on the RBA.
- 14. For each specified payment method, the payment instruction information must contain the information specified in the approved forms.

### **Capturing alternative ADI account data**

- 15. An ADI must be able to capture alternative ADI account data for an account-holder who is an existing electronic banking user. APRA may exempt an ADI from this requirement. APRA may approve an alternative data capture arrangement for an ADI that meets the requirements specified in paragraph 16 of this Prudential Standard.
- 16. An ADI must be able to capture alternative ADI account data in a way that:
  - (a) is secure;
  - (b) is able to identify an account-holder via electronic banking using a unique customer identifier and password, where such channels are maintained by the ADI;

- (c) is able to receive and store an account-holder's alternative ADI account data, including the BSB and account number, for the purposes of incorporating this information into the EFT payment information file sent to the RBA or another paying agent nominated by APRA for FCS purposes;
  - (d) records the account-holder's consent for the alternative ADI account data to be provided to APRA and to the RBA or another paying agent nominated by APRA for FCS purposes; and
  - (e) allows the BSB and account number data to be merged with the account-holder's SCV data to create information on an EFT payment or required report in relation to such payments.
17. An ADI must not use any alternative ADI account data for any purpose except as required in this Prudential Standard or by APRA.

### **Time for generating and transmitting payment instruction information**

18. An ADI must be able to generate and transmit payment instruction information to a person (paying agent) nominated by APRA not later than 24 hours following the generation of SCV data.

### **Reports**

19. An ADI must be able to identify reporting information in the form specified by APRA for each account-holder and at an aggregate ADI level.
20. An ADI must:
- (a) be able to generate and transmit reports to APRA, and to any party nominated by APRA, in accordance with approved forms within the time periods specified in this Prudential Standard; and
  - (b) be able to generate reports on behalf of APRA in accordance with the approved forms, and be able to transmit those reports to APRA, and to any person nominated by APRA, in sufficient time to enable APRA to comply with its obligations to issue reports to account-holders and the Australian Taxation Office (ATO) under the Banking Act.
21. An ADI's systems must be able to be updated to reflect account-holder balances, taking account of amounts that are paid for FCS purposes, to enable an account-holder to be provided with information on the balance in each protected account they hold, including transaction details related to FCS payments made.

### **Time for generating and transmitting reports to APRA**

22. An ADI must be able to generate and transmit reports referred to in paragraph 20(a) of this Prudential Standard to APRA, or a person nominated by APRA, as follows:



- (a) the SCV summary report - at the same time as the SCV;
- (b) the EFT and cheque payments and summary reports - at the same time as the payment instruction information;
- (c) the exception and summary report - at the same time as the EFT and cheque payments reports;
- (d) the prescribed accounts and summary report - within 48 hours following the provision of the EFT and cheque payments reports; and
- (e) any other report specified by APRA in an approved form - within the period specified by APRA.

### **Communications**

23. An ADI must be able to communicate with account-holders and other customers in the event that it becomes a declared ADI by way of the communication channels maintained by the ADI including, where applicable, the ADI's website, electronic banking facilities and call centre. Communications for this purpose include:
- (a) conveying FCS-related information as specified by APRA;
  - (b) responding to FCS-related enquiries from account-holders and other customers; and
  - (c) recording information from an account-holder relevant to the preparation of the SCV and payment instruction information for FCS payments.
24. An ADI must maintain communication channels that are adequate to respond effectively, and in a timely manner, to the volumes of account-holder and other customer enquiries that may reasonably be expected in the event that the ADI becomes a declared ADI.<sup>2</sup> At a minimum, an ADI must maintain an existing website to convey FCS-related information specified by APRA from time to time, and must maintain the capability to respond to account-holder and customer queries by telephone and internet.

### **Testing**

25. An ADI must regularly review and test<sup>3</sup> its ability to:
- (a) generate SCV data as required by this Prudential Standard;
  - (b) capture alternative ADI account data for an existing electronic banking account-holder as required by this Prudential Standard;
  - (c) generate and transmit payment instruction information to the RBA, or another paying agent nominated by APRA, as required by this Prudential

---

<sup>2</sup> Refer to *Prudential Standard CPS 232 Business Continuity Management (CPS 232)*.

<sup>3</sup> Refer to CPS 232.

Standard, in a way that maintains the confidentiality of account-holder information;

- (d) generate and transmit the reports as required by this Prudential Standard; and
- (e) comply with the communications requirements in this Prudential Standard.

An ADI must test these requirements in accordance with a testing schedule that will be specified by APRA.

- 26. An ADI's FCS-related systems and processes must be revised to address any shortcomings identified as a result of the review and testing required under paragraph 25 of this Prudential Standard.

### **Audit**

- 27. In accordance with *Prudential Standard APS 310 Audit and Related Matters* (APS 310), the appointed auditor must provide limited assurance that:
  - (a) the ADI has controls that are designed to ensure that SCV data, to the extent practicable, and FCS payment and reporting information can be relied upon as being complete and accurate and in accordance with this Prudential Standard; and
  - (b) these controls operated effectively when tested.
- 28. An ADI must ensure that the appointed auditor provides the assurance required by paragraph 27 of this Prudential Standard at the same time as assurance is required by APS 310, unless otherwise agreed by APRA.
- 29. Notwithstanding the requirements in paragraph 27 of this Prudential Standard, APRA may require an ADI to engage an auditor to undertake a reasonable or limited assurance engagement<sup>4</sup> of SCV systems and data, and the systems used to generate and transmit FCS payment and reporting information.

### **Attestation**

- 30. It is the responsibility of the **Board** and senior management of an ADI to ensure that appropriate policies and procedures are in place to ensure the integrity of the operations, internal controls and information required by this Prudential Standard.
- 31. An ADI must, within three months of its annual balance date, provide APRA with an attestation from its **CEO**.<sup>5</sup>

---

<sup>4</sup> For the purposes of this Prudential Standard, reasonable assurance and limited assurance are defined in accordance with the *Framework for Assurance Engagements* issued by the Auditing and Assurance Standards Board (**AUASB**) as it exists from time to time.

<sup>5</sup> For non-disclosing entities, the relevant period is four months.

32. The CEO must attest, for the financial year to which the declaration relates, that:
- (a) the ADI has taken all necessary steps to ensure that it is compliant with the requirements set out in this Prudential Standard;
  - (b) the ADI has systems and processes that allow it to identify, to the extent practicable, each unique account-holder who holds a protected account;
  - (c) the ADI is able to calculate an SCV for each unique account-holder identified and transmit those data to APRA, or to a person nominated by APRA, as required by this Prudential Standard;
  - (d) the ADI is able to generate and transmit payment instruction information for FCS purposes to the RBA, or another paying agent nominated by APRA, as required by this Prudential Standard;
  - (e) the ADI is able to generate and transmit reporting information to APRA, an account-holder, the ATO and any other party nominated by APRA, as required by this Prudential Standard;
  - (f) the ADI's systems and associated controls are adequate for the purposes of ensuring that data generated by SCV systems are complete and accurate, to the extent practicable;
  - (g) the ADI's systems and associated controls are adequate for the purposes of ensuring that the FCS payment and reporting information generated and transmitted by the ADI's systems, including the ability to capture alternative ADI account data, are complete and accurate;
  - (h) the ADI is able to comply with the communications requirements set out in this Prudential Standard; and
  - (i) the ADI is able to comply with the testing requirements set out in this Prudential Standard.
33. If the CEO is unable to provide the attestation required by paragraph 31 of this Prudential Standard without qualification, the CEO must set out in the attestation the reasons why he or she is unable to make an unqualified attestation.
34. An ADI may provide the attestation required at paragraph 31 of this Prudential Standard at the same time and as part of the declarations required by APS 310.

### **Adjustments and exclusions**

35. APRA may adjust or exclude a specific prudential requirement in this Prudential Standard in relation to one or more specified ADIs.<sup>6</sup>

---

<sup>6</sup> Refer to subsection 11AF(2) of the Banking Act.

**Previous exercise of discretion**

36. An ADI must contact APRA if it seeks to place reliance, for the purposes of complying with this Prudential Standard, on a previous exemption or other exercise of discretion by APRA under a previous version of this Prudential Standard.

## **Attachment A**

This Attachment sets out the data that an ADI must include as part of each account-holder's SCV (refer to Table 1 for data items to be included). The data are necessary to ensure the integrity of the SCV. The SCV will ensure the identification of protected accounts for each unique account-holder, thereby facilitating the timely and accurate payment of FCS balances to account-holders in the event that an ADI is declared by the Minister under section 16AD of the Banking Act.

### **Account-holder information**

1. An ADI must identify each unique account-holder, to the extent practicable. For this purpose, an ADI will need to have some form of unique account-holder identifier that can be used to identify each account-holder and aggregate the balances in protected accounts for an account-holder into an SCV. The account-holder identifier will form the basis for the payment of balances held in protected accounts up to the FCS limit. The account-holder identifier must be limited to a maximum of 18 characters.
2. The account-holder status refers to the status an ADI normally uses for this purpose e.g. whether the account-holder is deceased, bankrupt, has no valid address or any other indicator the ADI may use to identify the status of the account-holder.
3. An ADI must capture the account-holder details in Table 1, including such matters as title, name, address (both street and mailing address), telephone numbers and email addresses to the extent that the ADI has these data in its source systems.

### **Account details**

4. This is the information that an ADI must include for each protected account that is aggregated for each account-holder into an SCV.

### **Account-holder aggregate details**

5. The aggregate details refer to the sum of all individual account balances for an account-holder.

**Table 1****Account-holder SCV**

<b>1. Account-holder identifier</b>	
1.1	Account holder identifier
1.2	Account-holder status
1.3	Whether account-holder is an electronic banking customer
<b>2. Account-holder details</b>	
2.1	Entity details
2.1.1	Entity type
2.2	Entity name
2.2.1	Title
2.2.2	Surname
2.2.3	Middle name or initial
2.2.4	First name or initial
2.2.5	Suffix
2.3	Date of birth
2.4	Street address details
2.4.1	Unit / Street Number
2.4.2	Street Name
2.4.3	City/Town/Suburb
2.4.4	State
2.4.5	Postcode
2.4.6	Country
2.5	Mailing address details
2.5.1	PO Box (if applicable)/ RMB etc
2.5.2	Unit / Street number
2.5.3	Street Name
2.5.4	City/Town/Suburb
2.5.5	State
2.5.6	Postcode
2.5.7	Country
2.6	Email address details
2.7	Telephone number details
2.7.1	Home telephone
2.7.2	Work telephone
2.7.3	Mobile telephone
<b>3. Account details (for each protected account for each account-holder)</b>	
3.1	Account title
3.1.1	Account status
3.1.2	Account classification
3.2	BSB
3.3	Account number
3.4	Product type
3.4.1	Product name
3.5	Account entitlement
3.5.1	Account balance – cleared funds
3.5.2	Account balance – uncleared funds
3.5.3	Account balance – principal
3.5.4	Accrued interest
3.5.5	Fees, charges and duties payable
3.5.6	Withholding tax

<b>4. Account-holder aggregate account details</b>	
4.1	Aggregate account-holder entitlement
4.1.1	Aggregate balance – cleared funds
4.1.2	Aggregate balance – uncleared funds
4.1.3	Aggregate balance – principal (sum of balances in all protected accounts)
4.1.4	Aggregate accrued interest (sum of accrued interest for all protected accounts)
4.1.5	Aggregate fees, charges and duties payable (sum of fees, charges and duties payable for all protected accounts)
4.1.6	Aggregate withholding tax (sum of withholding taxes for all protected accounts)
4.2	Estimate of account-holder's aggregate FCS entitlement

6. An ADI must ensure that controls are in place in relation to its SCV data such that:
- (a) data sourced from any product, customer or other ADI system for SCV purposes are complete and accurate, to the extent practicable;
  - (b) all fields are populated with data, or fields with no data are flagged as data 'not available' or blank filled as appropriate;
  - (c) calculation fields are accurate (for example, an account-holder's aggregate account-holding is equal to the sum of its constituent parts);
  - (d) to the extent practicable, name and address fields are complete and valid;
  - (e) all records are referenced to their source;
  - (f) to the extent practicable, there are no duplicate records for an account-holder; and
  - (g) SCV account balances are reconciled to source systems.

## Attachment B

This Attachment includes requirements concerning account aggregation and calculation of end-of-day positions.

### Principles for account aggregation

1. The account aggregation principles are designed to assist an ADI with the treatment of balances in protected accounts. How an account is treated will depend on the entity type (as defined in sections 960-100 of the *Income Tax Assessment Act 1997*) and whether the account is held in a single name or in multiple names.
2. An ADI must apply the following rules when dealing with protected accounts:
  - (a) each protected account attributable to an account-holder must be aggregated under an SCV for the purpose of establishing an account-holder's balance;
  - (b) account aggregation for SCV purposes must include aggregation of all protected accounts in an account-holder's name including protected joint accounts, business accounts, prescribed accounts and all other protected accounts held by an account-holder, whether individually or jointly;
  - (c) prescribed accounts must be included in the SCV and also flagged as being prescribed accounts;
  - (d) joint accounts must be split on a proportionate basis between all account-holders named on that account (e.g. for a joint account with four named account-holders, each account-holder would have one quarter of the total account balance included as part of their aggregated protected account balance); and
  - (e) where a business account is held in an entity's name, the balance must be treated as belonging to a single account-holder, being the person (including corporations, etc.) named as the account-holder. If the business account is held in multiple individual names the rules for joint accounts apply.
3. An ADI must separately identify and flag each pooled trust account held by an account-holder, to the extent practicable.

### Calculation of end-of-day deposit balances

4. The amount repayable to an account-holder must be calculated from the sum of the deposit balances calculated at the end-of-day (i.e. 'end-of-day deposit balances') held in all protected accounts in an account-holder's name on the day on which a declaration is made that the FCS applies in relation to an ADI (or if APRA requires the ADI to generate data for test purposes, the day on which APRA instructs the ADI to generate the data). As end-of-day deposit balances could include both cleared and uncleared funds, payments must only be made on the basis of deposit balances comprising cleared funds. Uncleared funds in



protected accounts, on the day the FCS is declared, must clear before being eligible to be paid out.

5. The timing of the creation of the SCV allows for the finalisation of payments already exchanged and settled at the time of declaration e.g. the processing of dishonours, and returned direct credits and debits. The SCV identifies cleared and uncleared funds, with the latter used for informational purposes in case some items remain uncleared.
6. A declared ADI will be withdrawn from the payments system. It is therefore necessary to ensure the correct posting to accounts of all unsettled<sup>7</sup> payments exchanged between the declared ADI and other ADIs on the day of the declaration. These payments could include direct entry credits, cheques and EFTPOS transactions.
7. All balances must be adjusted for fees, charges and duties payable applicable to an account (i.e. the **net credit balance** as defined in section 5 of the Banking Act) and accrued interest and withholding tax.
8. Overdrafts and other forms of debt must not be set-off against balances in protected accounts.

### Process for determining end-of-day position

9. An ADI must ensure consistency in the treatment of payments made between account-holders, where value passes between:
  - (a) two accounts at the same ADI<sup>8</sup>; and
  - (b) one account at the ADI and an account at another ADI.

An ADI must use the same general principles in the treatment of these transactions as set out in paragraphs 10-22 of this Attachment. The objective of the principles is to ensure, as far as practicable, that both sides of a transaction are treated the same. That is, either both stand or both are unwound.

### Declaration of a direct participant

10. The Australian Payments Network Limited's (AusPayNet's) Australian Paper Clearing System (APCS) has been determined by the RBA to be a 'recognised settlement system' under the **Cheques Act**. The effect of this is that cheques, including Financial Institution Cheques, drawn on an ADI that becomes a 'failed financial institution' (within the meaning of subsection 70A(2) of the Cheques Act) after the cheque is lodged and before the cheque is settled are taken to be dishonoured.<sup>9</sup> Accordingly, for the purpose of calculating an end-of-

<sup>7</sup> Settlement refers to the extinguishment of obligations arising between payments system participants (including ADIs) using Exchange Settlement Accounts at the RBA.

<sup>8</sup> That is, in the treatment of 'on-us' items.

<sup>9</sup> Note, cheques drawn on an indirect participant deposited to an account at their representative direct participant are not settled via a 'recognised settlement system' therefore the Cheques Act deemed dishonour provisions do not apply to these cheques.

day balance, any cheques debited to an account by a declared ADI in connection with unsettled cheques must be reversed. Similarly, credit entries made by other ADIs to an account arising from unsettled cheques drawn on the declared ADI must also be reversed.

11. Cheques drawn on an ADI, other than the declared ADI, and deposited into accounts at a declared ADI prior to the commencement of statutory management remain obligations due to the declared ADI by the ADI on whom the cheque is drawn. When calculating the end-of-day aggregate deposit balance, the declared ADI must ensure that credits associated with these cheques are posted to accounts as they normally would be. However, these deposits would remain subject to the standard APCS rules on cleared funds (i.e. cheques drawn on an ADI, and deposited at the declared ADI, could be dishonoured by an ADI if, for example, the drawer had insufficient funds in their account). As a result, end-of-day deposit balances must distinguish between 'cleared' and 'uncleared' funds. APRA will only make FCS payments to account-holders in respect of cleared funds.
12. Legislation similar to the Cheques Act does not exist in respect of other payments instruments. Treatment of accounts in respect of non-cheque payment instruments may be influenced by non-AusPayNet contractual requirements. To the extent that contractual requirements are either silent, or allow discretion to be exercised, ADIs must adopt uniform accounting treatments in dealing with a declared ADI.
13. The exchange of direct entry debit and credit items will cease from the time that an ADI is withdrawn from the payments system. Specifically, items that were exchanged, but not yet settled, prior to the ADI's withdrawal must be treated as follows:
  - (a) direct entry credits received from a declared ADI would be returned to the declared ADI if they had not already been posted to accounts at another ADI. Unsettled direct entry credits that had been posted to accounts at another ADI would stand. To ensure consistent treatment between accounts at a declared ADI and all other ADIs, the declared ADI would need to explicitly identify which direct entry items had been posted by another ADI and which had not;
  - (b) direct entry debits received by a declared ADI would be treated as if they had not been exchanged (and any account postings would be reversed by the receiving ADI as well as the declared ADI); and
  - (c) all direct entry items exchanged on the day of declaration, which require settlement payment from another ADI to the declared ADI, are to be processed as normal. As a result, the declared ADI would need to post incoming direct entry credit payments from other ADIs and include these transactions in its end-of-day aggregate deposit balance. The same would apply to direct debits the declared ADI had exchanged with other ADIs.

14. The exchange of BPAY items will cease from the time at which an ADI is withdrawn from the payments system. Where items were exchanged prior to this time, then:
  - (a) unsettled BPAY credits received from the declared ADI would be returned to the declared ADI if they had not already been posted to accounts at another ADI. The declared ADI would reverse the related payer account postings; and
  - (b) unsettled BPAY credits that had been posted to accounts at another ADI would stand.

To ensure consistent treatment between accounts at a declared ADI and other ADIs, the declared ADI must be able to identify which BPAY payments had been processed by another ADI and which had not.

15. Real-time gross settlement (RTGS) payments are settled at the time they are exchanged. As a result, RTGS payments exchanged between a declared ADI and another ADI are irrevocable and these transactions must be included in the end-of-day balance. Account postings for RTGS payments that were initiated, but not settled, must be reversed by the declared ADI or other ADI, as applicable.
16. A declared ADI's ATM network and EFTPOS channels must be closed from the time that the ADI is withdrawn from the payments system. Unsettled ATM and EFTPOS transactions must not be revoked because of the real-time nature of these transactions.
17. APRA would instruct the statutory manager, or request the liquidator, to close the payments functions associated with a declared ADI's electronic banking facilities.
18. VISA and MasterCard debit card transactions must not be revoked due to the real-time nature of these transactions. The bank identifier numbers for cards issued by the declared ADI must be de-activated to ensure that no further transactions are able to take place following the withdrawal of the declared ADI from the payment system.

### **Accrued interest**

19. An ADI must calculate accrued interest and pay interest at the relevant interest rate applicable to the account in question, rather than a break rate that might apply if an account-holder withdraws funds before a certain time or subject to other restrictions. An ADI must ensure that its accounting systems are able to apply interest at the contractual rate applicable to each account in the event of the ADI failing.
20. For the purpose of testing SCV data, it will not be necessary for an ADI, in calculating the end-of-day balance, to run an accrual to determine interest, fees and charges applicable to an account, unless the accrual is normally run on a daily basis or where the reporting date selected by APRA coincides with month-

end. An end-of-day figure based on the principal amounts held in each protected account will be sufficient for the initial end-of-day balance for testing purposes.

### **Treatment of unsettled payments**

21. The ADI would be suspended from the payments system immediately following a declaration. Failure-to-settle procedures would be applied in each payment system in which the ADI was a participant.
22. AusPayNet rules distinguish between direct participants and indirect participants. The former assume responsibility for settlement of payments obligations drawn on indirect participants as well as their own settlement obligations. In the event that an indirect participant fails, its representative direct participant remains responsible for settling the indirect participant's obligations which have been exchanged with other direct participants. In these circumstances, credits posted (or to be posted) to accounts at a solvent ADI, and associated debits posted to accounts at the declared ADI, would stand even where the indirect participant had not settled for the resultant obligations with its representative direct participant (subject to the legitimate reversal of direct credits and the possibility of direct debits being dishonoured by the declared ADI). Since some ADIs are direct participants in one or more AusPayNet payment systems while participating indirectly in others, the treatment of customer accounts may vary by payment instrument.

## Attachment C

This Attachment sets out the principles that an ADI must use in its calculations to meet its payment and reporting information requirements.

### Account-holder FCS balance and payment details

1. An ADI must be able to calculate the FCS balance for each account-holder to the nearest cent.
2. An ADI must provide to the RBA, or APRA's paying agent, information specified in the file specifications in the approved form. This will include calculations, alternative ADI account data, and information generated by ADI systems such as record codes and reference information, for example, the name of the declared ADI and unique reference numbers which are required to generate the payment instruction information.
3. EFT and cheque payment instruction information must have a date no later than the timeframes specified in paragraph 18 of this Prudential Standard, as calculated from the date of the generation of SCV.

### Account priority

4. An ADI must be able to identify for every protected account:
  - (a) the account category as either non-prescribed or prescribed as defined under the Regulations; and
  - (b) the account status as either non-exception or exception, where an exception status indicates that a payment cannot be made at the time of generating and transmitting the payment instruction information specified in paragraph 18.
5. An ADI, must give priority for payment and reporting up to the FCS limit to each account-holder's accounts in the following order:
  - (a) non-prescribed, non-exception accounts; then
  - (b) non-prescribed, exception accounts; then
  - (c) prescribed, non-exception accounts; then
  - (d) prescribed, exception accounts,

with any portion of the aggregated balance over the FCS limit to be identified. Within each category, accounts are to be treated equally.

**Apportionment when the aggregate account-holder entitlement is above the FCS limit**

6. When the account-holder's aggregate entitlement is above the FCS limit, apportionment of the components is as follows:
  - (a) the account balance principal and accrued interest components are apportioned on a *pro rata* basis; and
  - (b) withholding tax calculated on the portion of the accrued interest below the FCS limit is deducted from the payment to the account-holder.

**ADI summary account-holder and payment data**

7. An ADI's SCV and other systems must be able to generate summary account-holder entitlement and FCS balance and payment data aggregated by value and volume for use by APRA. An ADI may include any additional information it considers relevant for this purpose.