



20 April 2012

Tony Richards
Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
SYDNEY NSW 2001

Dear Tony

eftpos Designation

Thank you for the opportunity to provide a submission to the Reserve Bank of Australia (RBA) in response to Replacing the eftpos Designation.

It is Cuscal's view that the definition of the eftpos payments system should be based on ePAL Membership and Rules and not some broader definition. It would be ineffective for a scheme to run a payments system without full control of the participants within it. Market participants seeking to conduct eftpos transactions should be a member of ePAL or be sponsored by a member.

Cuscal believes that designation of the eftpos system should continue during the early phases of scheme development and maturity.

Competition

Cuscal supports a pro-competition, pro-consumer choice regulatory stance. In most cases this means a "light" approach to regulation. However designation may be appropriate during the establishment phase of a new scheme such as ePAL. Designation of a system can protect a fledgling scheme from laws that would otherwise prevent the required collaboration and cooperation between members.

The argument for designation is lessened once the scheme has achieved consistent and vibrant member participation and investment. In our view full multilateral participation is an important indicator of scheme maturity.

Interchange Fees

Cuscal does not support the direct setting of prices via regulation. Designation of the eftpos system should instead focus on supporting the schemes efforts to set efficient multilateral interchange rates and to encourage the success of the scheme through full multilateral participation.

The RBA should ensure that any regulatory intervention on price should be carefully considered against the regulatory settings for other card schemes. Inconsistent regulation, particularly in network activity can create anomalies that encourage acquirers to one scheme and issuers to another. Clearly this is not sustainable for networks that require the joint support of both issuers and acquirers.

Cuscal considers the current interchange fee standards to be problematic with respect to bilateral agreements. The current standards are inconsistent between the multilateral interchange fees allowed to be set by ePAL (cap of 12 cents to issuer) and the interchange fees that can be set bilaterally (between 4 – 5 cents to acquirer). While Cuscal would ideally prefer that all eftpos participants operate within the multilateral regime, we can see no argument to constrain a bilateral negotiation to this illogical range. The RBA should ensure that bilaterally negotiated fees should be placed on a similar footing to the multilateral fees.

Inter-scheme Rules

The RBA should be aware there are a number of incongruent rules set by the various card payment schemes. These incompatible scheme rules frustrate the development of different payment solutions via common platforms and technology. Combination cards are the best contemporary example of the difficulties that issuers face in providing choice to consumers on a single card.

Cuscal supports APCA's proposal to the RBA to provide a self-regulatory solution aimed at developing a common regulatory framework across the payment systems. We encourage the RBA to support this industry-based approach.

Cuscal looks forward to the opportunity to consult more widely with the RBA on the broader regulatory framework for the card payment systems in the near future.

Kind regards,

A handwritten signature in blue ink, appearing to read 'D. Heine', with a stylized circular flourish on the left.

David Heine

General Manager

Product and Business Development