

3 February 2016

Head of Payments Policy Department
 Reserve Bank of Australia
 GPO Box 3947
 Sydney NSW 2001

pysubmissions@rba.gov.au

Dear Dr Richards,

Review of Card Payments Regulation Consultation Paper December 2015

eftpos Payments Australia Limited (eftpos) appreciates the opportunity to respond to the Reserve Bank of Australia (RBA) Review of Card Payments Regulation Consultation Paper December 2015 (Consultation Paper) and the draft standards contained in the Consultation Paper.

eftpos supports both the objectives of the draft standards and the approach taken of one standard that is applicable across all designated payment systems providing similar products. eftpos makes the following specific submissions in relation to the topics raised in the Consultation Paper as follows:

Item	Topic	RBA preferred option	eftpos submission
1	Regulation of foreign cards acquired in Australia	Foreign issued cards acquired in Australia at merchant locations to be included in benchmark calculation	<u>Supported</u> . This will provide consistent application of regulations.
2	Regulation of prepaid cards	Prepaid cards to regulate in the same way as debit cards	<u>Supported</u> . We understand that this change is intended to create regulatory clarity and is consistent with the treatment by eftpos to date for prepaid cards.
3	Interchange benchmark compliance cycle	Changing the benchmark compliance cycle from three yearly to quarterly with a 45 day re-set	<u>Accepted</u> . We note the 45-day rectification period. This may prove challenging for Members given the systems used to support eftpos products. We suggest further engagement with our Members to confirm their ability to make pricing changes within this timeframe.
4	Interchange benchmark and caps	Change interchange benchmarks and introduce an interchange ceiling. Weighted Average Debit interchange to be under 8 cents with a ceiling of 15 cents	<u>Accepted</u> . We note our recent dialogue with respect to the operation of the benchmark and cap. We suggest these interpretations are confirmed in the final drafting, specifically with regard to the treatment of cash out only and combined purchase/cash out transactions. We note the elimination of interchange rate ranges.

Item	Topic	RBA preferred option	eftpos submission
5	Regulation of interchange-like payments to issuers	Regulate interchange-like payments to issuers by limiting incentives to the total of scheme fees paid in a reporting period	<u>Accepted</u> . We suggest that clarification is needed around the treatment of entities that are both issuers and acquirers, acquirers only and aspects of the application of the regulation. We also suggest that the draft standard could be refined to confirm the inclusion or exclusion of non-purchase transactions within this calculation.
6	Revision of surcharge regulation	Surcharge regulation is to be based on a tighter definition of reasonable costs limited to fees actually paid to the acquirer	<u>Supported</u> . We understand the intention of this change is to promote price transparency to merchants. We remain supporters of the need to provide clear price signals and the opportunity for both merchants and consumers to respond to these signals.
7	Reporting to merchants of relative cost of acceptance to support enforcement of surcharge regulation	ACCC enforcement of merchant surcharging to be supported by periodical (monthly or quarterly) reporting by acquirers to merchants on the average cost of acceptance of each card type	<u>Supported</u> in respect of transparency of cost of acceptance from acquirers to merchants. eftpos submits that the proposal could be strengthened by requiring price disclosure at the time of entry into of the merchant relationship as well as periodically as described in the draft standards. Early implementation of this change should be considered in order to achieve the effect described with the Consultation Paper.

With respect to mobile payments, for which the RBA is maintaining a watching brief, eftpos submits that:

- payment systems are already moving beyond cards and regulations should keep pace to achieve technology neutrality as well as competitive neutrality – as such, there is a need to consider and regulate now, whether or not through an industry code of conduct or specific regulation; and
- the provisioning of competing payment cards in mobile wallets or priority within a mobile wallet should mirror the current customer experience for contact transactions with regard to choice of payment system to be used, together with support for dual network functionality on eftpos/scheme debit cards that exists today and any competitive scheme rules which restrict this functionality should be prohibited.

eftpos would be pleased to meet with the RBA at your convenience to discuss aspects of our submission and to clarify the potential application of the proposed changes to eftpos. We would also be happy to provide the RBA with suggested edits to the draft standards if this is of assistance.

Thank you for providing eftpos with the opportunity to provide feedback on this important matter.

Yours faithfully,



Bruce Mansfield
Managing Director.