



RESERVE BANK OF AUSTRALIA

Payment Systems (Regulation) Act 1998

The designated VISA Debit system

This notice is published in accordance with the requirements set out in Section 29(2)(a) of the *Payment Systems (Regulation) Act 1998* ('the Act').

The Reserve Bank of Australia determines in accordance with Section 18 of the Act the following Standards to be complied with by participants in the designated Visa Debit system operated within Australia:

- (i) The Standard titled *The Setting of Interchange Fees in the Visa Debit Payment System*; and
- (ii) The Standard titled *The 'Honour All Cards' Rule in the Visa Debit and Visa Credit Card Systems and the 'No Surcharge' Rule in the Visa Debit System*.

Summary of purpose and effect of the Standard *The Setting of Interchange Fees in the Visa Debit Payment System*

The purpose of this Standard is to ensure that the setting of interchange fees in the Visa Debit system is transparent and promotes efficiency and competition in the Australian payments system. The Standard requires that interchange fees in the Visa Debit system in Australia, which are paid by acquirers of Visa Debit card transactions in Australia to Visa Debit card issuers, be set subject to a benchmark, and be regularly reviewed.

The effect of the Standard will be a reduction in the average interchange fee in the Visa Debit system. At present, the average interchange fee on a Visa Debit transaction is around 40 cents. The average fee is expected to fall to around 15 cents from 1 November 2006.

This Standard, in combination with the Standard *The Setting of Interchange Fees in the EFTPOS Payment System*, gazetted by the Reserve Bank on 27 April 2006, is expected to reduce the difference between interchange fees in the Visa Debit and EFTPOS systems, for transactions of average size, from around 60 cents currently to around 20 cents.

These changes are expected to encourage price signals to merchants and debit cardholders that will, over time, promote the development of a more efficient payments system in Australia.

Summary of purpose and effect of the Standard *The 'Honour All Cards' Rule in the Visa Debit and Visa Credit Card Systems and the 'No Surcharge' Rule in the Visa Debit System*

The purpose of this Standard is to ensure that normal competitive pressures can bear upon the price and acceptance of Visa Debit cards by merchants, by overriding the rules of the scheme tying the acceptance of Visa credit and debit cards from 1 January 2007.

The effect of the Standard will be to allow merchants to make separate decisions on whether to accept Visa Debit cards rather than being required to accept these cards as a consequence of accepting Visa credit cards.

The Standard also abolishes the no surcharge rule in the Visa Debit system, allowing merchants to impose a surcharge on Visa Debit transactions if they so choose.

These changes are expected to result in a more efficient and competitive payments system in Australia.

Signed

A handwritten signature in black ink, appearing to read 'IJ Macfarlane', written in a cursive style.

IJ Macfarlane
Governor
Reserve Bank of Australia
7 July 2006

Standard

The 'Honour All Cards' Rule in the Visa Debit and Visa Credit Card Systems and the 'No Surcharge' Rule in the Visa Debit System

Objective

The objective of this Standard is to ensure that the rules of the Visa Debit system and the Visa credit card system promote:

(i) efficiency; and

(ii) competition

in the Australian payments system.

Application

1. This Standard is determined under Section 18 of the *Payment Systems (Regulation) Act 1998*.
2. This Standard applies to the payment system operated within Australia known as Visa Debit, which was designated as a payment system on 23 February 2004, and to the Visa credit card system operated within Australia which was designated as a payment system on 12 April 2001.
3. In this Standard:

an 'acquirer' is a participant in the Visa Debit system in Australia that provides services to a merchant to allow that merchant to accept a Visa Debit card;

'merchant' means a merchant in Australia that accepts a Visa Debit card or Visa credit card for payment for goods or services;

'rules of the Scheme' means the constitution, rules, by-laws, procedures and instruments of the Visa Debit system and of the Visa credit card system as applied in Australia respectively, and any other arrangement relating to the Scheme by which participants consider themselves bound;

'Visa credit card' means a card issued by a participant in Australia in the Visa credit card system, under the rules of the Scheme, that allows the cardholder to make payments to merchants for goods or services on credit, or any other article issued under the rules of the Scheme and commonly known as a credit card;

'Visa credit card transaction' means a transaction in Australia between a Visa credit cardholder and a merchant involving the purchase of goods or services using a Visa credit card;

'Visa Debit card' means a card issued by a participant in Australia in the Visa Debit system, under the rules of the Scheme, that allows the cardholder to make payments to merchants

for goods or services by accessing a deposit account held at an authorised deposit-taking institution;

‘Visa Debit card transaction’ means a transaction in Australia between a Visa Debit cardholder and a merchant involving the purchase of goods or services using a Visa Debit card;

terms defined in the *Payment Systems (Regulation) Act 1998* have the same meaning in this Standard.

4. Each participant in the Visa Debit system and the Visa credit card system must do all things necessary on its part to ensure compliance with this Standard.
5. If any part of this Standard is invalid, the Standard is ineffective only to the extent of such part without invalidating the remaining parts of this Standard.
6. This Standard is to be interpreted:
 - o in accordance with its objective; and
 - o by looking beyond form to substance.
7. This Standard comes into force on 1 January 2007.

Merchant pricing

8. Neither the rules of the Scheme, nor any participant in the Visa Debit system, shall prohibit a merchant from charging a Visa Debit cardholder any fee or surcharge for a Visa Debit card transaction.
9. Notwithstanding paragraph 8, an acquirer and a merchant may agree that the amount of any such fee or surcharge charged to a Visa Debit cardholder will be limited to the fees incurred by the merchant in respect of a Visa Debit card transaction.

Honouring cards

10. Neither the rules of the Scheme, nor any participant in the Visa Debit system, or the Visa credit card system, may require a merchant to accept Visa Debit cards as a condition of the merchant accepting Visa credit cards. Likewise, neither the rules of the Scheme, nor any participant in the Visa Debit system or the Visa credit card system, may require a merchant to accept Visa credit cards as a condition of the merchant accepting Visa Debit cards.

Transparency

11. a. All Visa Debit cards issued after 1 January 2007 must be visually identified as debit cards. By 31 December 2009, all Visa Debit cards on issue must be visually identified as Visa Debit cards.
- b. From 1 January 2007, all Visa Debit cards issued in Australia must be issued with a Bank Identification Number (BIN) that allows them to be electronically identified as Visa Debit cards.
- c. On request, acquirers must provide to merchants for which they acquire Visa Debit and credit card transactions, BINs that would permit the merchant to identify separately Visa Debit and Visa credit card transactions electronically.

- d. Each acquirer must notify merchants to which it provides acquiring services of the provisions of this Standard. This requirement must be met by 31 December 2007.