

**EXTRACT FROM COUNCIL OF THE ABA'S LETTER,
15 DECEMBER 2006**

The ABA Council's proposed approach has three components:

- (a) An Access Code should be prepared as soon as possible in order to address the RBA's request for the liberalisation of access arrangements. This can be achieved through adoption of an ATM Access Code established along the lines of the EFTPOS Access Code that was developed by APCA. Although we understand the ATM Industry Steering Group (AISG) proposes to engage APCA to prepare a Code based on a framework required by the AISG, this process may not be swift enough and still leaves open to each AISG member whether the option of choosing to adopt the Code. Therefore, ABA Council is prepared to send a reference to APCA immediately with instructions to engage legal advisers to prepare an Access Code as soon as possible. It is anticipated that this Access Code would canvass options for mediation procedures.
- (b) Each ATM supplier should provide details of the precise bilateral interchange fees they charge one other to the RBA who would be free to provide that information to genuine access seekers under a confidentiality agreement. This component seeks to bring transparency to and improve the competitive operation of the ATM bilateral agreement system.

We appreciate that moving to a cost-based interchange fee, as proposed by the Reserve Bank, has the advantage of market transparency, but this transparency can be achieved by making individual bank interchange fees available to genuine access seekers. This would provide access seekers with easily accessible benchmarking information.

- (c) There would be no change to the system of bilateral interchange agreements (ie direct charging would not be pursued further as we do not believe it is customers' interests).

The ABA Council believes the best way forward on this issue is to introduce the ATM Access Code, bring greater public scrutiny to interchange fees by making them available to genuine access seekers, but to leave the existing bilateral agreement system in place, including the bilaterally agreed interchange fee. This still leaves open to any institution the ability to pursue direct charging through commercial negotiations with other institutions.

The ABA Council envisages that this proposal would deliver the fundamental policy outcomes sought by the Reserve Bank and should be given time to work before considering any further reform to the ATM system. We would suggest that a review in, say, three years after the implementation of this proposal

would be appropriate in order to assess the flow through of the reforms on access, pricing, transparency and competition in the ATM market.

It should be noted also that the ABA and APCA are currently examining the merits of the bilateral debit system in light of advances in technology and innovation. This work is very likely to lead to changes in Australia's current payments infrastructure, including governance arrangements. At the very least, changing the system of bilateral interchange agreements should await the outcome of the work into payments infrastructure.