



AUSTRALIAN BANKERS' ASSOCIATION INC.

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29 August 2007

Dr Philip Lowe
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Dear Dr Lowe,

ATM reform

Thank you for your letter of 14 August responding to my letter of 8 August 2007 regarding a way forward for ATM reform. As you are aware, the Australian Bankers' Association (ABA) has detailed for some time concerns over a move to a direct charging regime in Australia, but the Association has proposed various reform models to avoid Reserve Bank designation and regulation of the ATM system.

In order to make progress on agreeing an industry self-regulatory reform model, in my 8 August letter, I indicated that most ABA member banks were willing to accept an ATM reform model that allowed the use of multilateral interchange fees in ATM sub-networks.

Your recent letter has given further information useful to the ABA's final consideration of that reform model. We also note that you believe the Australian Payments Clearing Association (APCA) could possibly develop a self-regulatory model.

The ABA has written to APCA requesting confirmation that it could develop a model that balances the objectives of the ABA member banks, the Reserve Bank's policy objectives and secures a consensus of the wider ATM industry.

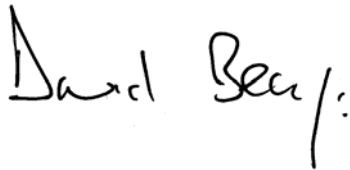
We envisage that such a model would offer a capacity for ATM owners to apply surcharges to foreign ATM transactions and provide for the capacity of sub-networks to utilise multilateral interchange so long as appropriate access arrangements are in place.

A critical issue for the ABA is that the customer experience of using ATMs is as positive and simple as possible, so we request that APCA ensures any proposed model does not unnecessarily disrupt the customer experience. In short, this means that dispute resolution and appropriate disclosure regimes are a priority before any surcharging regime can commence.

A summary of the model's main features is detailed in Appendix 1. This is supported by ABA member banks. You will note the ABA has identified other regulatory agencies that will need to be consulted and whose support will be needed to ensure the elements of the ATM reform model are given sufficient authority.

You have requested a starting date for the ATM reform proposal to be implemented. We take this to mean a starting date for the commencement of ATM surcharging. We see the end of calendar year 2008 as an obvious commencement date. This should be sufficient time to introduce the framework, for banks to undertake system changes and customers notified of the new arrangements.

Yours sincerely

A handwritten signature in black ink that reads "David Bell". The signature is written in a cursive, slightly slanted style.

David Bell

Appendix 1: Broad details of ATM reform model

Features	Responsibility to make happen
Access code for direct connection.	APCA
Freedom to surcharge for ATM owners.	APCA
Interchange fees set to zero.	APCA / RBA
Instantaneous rebating.	APCA
Dispute resolution regime.	APCA / ASIC
Disclosure regime.	APCA / ASIC