

14 February 2008

Ms Michele Bullock  
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GPO Box 3947  
SYDNEY NSW 2001

Dear Michele

### **ATM Reform: Progress Report 2 – February 2008**

The purpose of this letter is to provide the RBA with a quarterly progress report on the development of the ATM Access Code and implementation of the direct charging reforms, ahead of the Payments Systems Board (PSB) meeting on 20 February 2008.

In the RBA's media release of 31 August 2007, the PSB asked both APCA and the ABA to provide quarterly progress reports. As such, a joint progress report from both APCA and the ABA was prepared in November 2007. However given that APCA has had sole carriage of the elements of the reforms progressed this quarter, this progress report has not been prepared with the ABA, although we have provided them with a copy of this letter.

We report as follows:

#### **Access Code Development**

- 1 A 'consultation pack':
  - (a) containing Draft #1 of the ATM Access Code;
  - (b) an explanatory paper, including suggested areas for review; and
  - (c) legal advice on compliance with the *Trade Practices Act*,was distributed to industry participants on 15 December 2007 for institutional review.
- 2 Comments on the consultation pack have been received from participants<sup>1</sup> and we are now working on Draft #2 of the ATM Access Code and Draft #1 of the Constitution of the Access Company (which will be established to administer the ATM Access Code).
- 3 Draft #2 of the ATM Access Code and Draft #1 of the Constitution of the Access Company will be published as public exposure drafts for a period of 1 month commencing in March 2008. All interested parties (including the RBA) will be able to provide comments on the exposure drafts.
- 4 Final versions of the ATM Access Code and the Constitution of the Access Company will be available in May 2008, whereupon the process of formal adoption of the ATM Access Code by the Access Company (so that it binds the relevant industry participants) can commence.

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<sup>1</sup> Some participants have indicated that we will receive comments this week.



- 4 Final versions of the ATM Access Code and the Constitution of the Access Company will be available in May 2008, whereupon the process of formal adoption of the ATM Access Code by the Access Company (so that it binds the relevant industry participants) can commence.
- 5 Development of the ATM Access Code thus remains on track and we expect it to be completed on time.

#### **Business Rules and Technical Specification**

- 6 The Business Rules for direct charging were approved by a joint meeting of our ATM Access Steering Committee and ATM Access Working Group on 15 January 2008. These rules cover matters such as: screen and receipt disclosure requirements and the transactions for which direct charging is permissible.
- 7 A draft of the Technical Specification (including message formats) was work-shopped with industry technical experts on 22 January 2008. A final version of Technical Specification will be published on 15 February 2008 and formally approved on 22 February 2008.
- 8 The Business Rules and Technical Specification (which have been completed on time) will now be codified in amendments to the CECS Manual. However participants can *now* commence the work required to make the various changes to, amongst other things, Issuer systems, Acquirer/Deployer systems and device software packages.

#### **Interchange Fees**

- 9 As previously reported, a regime that allows interchange fees only under certain conditions, including prior agreement amongst participants and appropriate disclosure of arrangements, could be implemented without designation.
- 10 Draft #1 of the Access Code does not provide for payment of interchange fees. However it allows, as we have discussed, subscribers to the Access Code to pay/receive interchange fees, if they comply with the following pre-conditions:
  - (a) The parties to the agreement must have certified (with sign off from an internal auditor) that they are compliant with the technical requirements of the Access Code, including being compliant with the Direct Charging requirements;
  - (b) Disclosure of the duration of the agreement and the amount to be paid to the Access Company and the RBA at least 3 months before the agreement will come into effect (on the understanding that the Access Company or RBA may publish aggregate and average data on these agreements); and
  - (c) In the case of sub-networks, transparent and objective rules as to membership of the sub-network are published.

Our advice is that this regime can be implemented without designation. However we are exploring the possibility of seeking informal clearance from ACCC. Obviously if this were to occur then we would expect the RBA to support this application.

## **Transition Arrangements**

12 We are currently working on the transition arrangements to manage the change from the current interchange fee based environment to a direct charging environment. This involves at least the following:

- (a) An industry customer education/communication campaign, to explain the changes to customers and how their experience will change. (Issuers will, of course, have their own communication campaigns for their own cardholders.)
- (b) How the 'phase-out' of interchange fees and introduction of direct charging can be implemented. For example, can this be done with effect from a single day or does there need to be a progressive roll-out of direct charging across ATM fleets?

## **Conclusion**

13 Substantial progress has been made since the last report of 28 November 2007. Whilst there is still a great deal to be done, we are on track to meet the implementation date of 3 March 2009 (referred to in our last report).

Yours sincerely

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

Chris Hamilton  
**CHIEF EXECUTIVE OFFICER**