



# ATM Industry Steering Group

## Direct Charging

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30 January 2004

Mr Peter Smith  
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Australian Payments Clearing Association  
Level 24, 25 Bligh Street  
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### ATM Industry Steering Group - Request for Review of Access

The ATM Industry Steering Group (“**AISG**”) requests that the Australian Payments Clearing Association (“**APCA**”) provide formal advice to AISG on the appropriateness of the existing access arrangements in respect of foreign ATM transactions.

Last year, we jointly discussed in the AISG forum the possibility of APCA undertaking an examination of access arrangements in respect of ATM transactions. Since that meeting, we have had further discussions with the Reserve Bank of Australia (“**RBA**”) and have taken into account the EFTPOS interchange fee authorisation determination by the Australian Competition and Consumer Commission (“**ACCC**”).

The RBA has explained that its support for the proposed reforms of ATM interchange fee arrangements is contingent on ATM access issues being addressed. The RBA has also stated that, without pre-empting the ACCC’s consideration of the issue, AISG should demonstrate that it has adequately reviewed access arrangements to satisfy the ACCC’s likely requirements for access. AISG and APCA should also be able to exhibit an action plan and a timeline to implement any improvements that may be warranted, based on identified, significant deficiencies.

APCA is presently reviewing access arrangements in respect of EFTPOS and has so far satisfied the concerns of the RBA and the ACCC. In view of the foregoing, AISG requests that APCA examine ATM access and provide advice around undertaking a similar review of access arrangements in respect of foreign ATM transactions.

### Existing Access Arrangements

Access to the ATM network is facilitated by a range of options depending upon the strategic and business objectives of an institution or business entity. In addition, the competitive positioning and commercial and structural requirements of an ATM provider or card issuer will also underpin the manner in which they participate in the industry.

Some participants have access to the ATM networks through bilateral interchange agreements. These set the technical, operational and security standards as well as settlement arrangements and legal framework required to support linkages between ATMs.

Other participants have access through shared ATM network arrangements, where smaller card issuers aggregate volumes with other similar institutions in order to create the scale needed to enter into bilateral agreements with other ATM network participants. Cashcard's Multicard and CUSCAL's Rediteller networks are examples of this arrangement.

The third method of accessing the ATM networks is through sponsorship arrangements. For example, an independent ATM Operator ("IAO") may enter into an arrangement with an ATM acquirer that "sponsors" the IAO and processes transactions from the IAO's fleet of ATMs under the sponsor's existing bilateral ATM interchange agreements. The sponsoring of participants into the ATM network is a relatively new development, however one that has already facilitated a substantial growth in the deployment of "white label" ATMs in recent years by IAOs.

### **Issues to Address**

AISG requests that in examining the ATM access arrangements, APCA reviews access issues pertaining to existing and new network participants. It needs to consider a range of scenarios where new or existing participants wish to participate as a card issuer, an acquirer of ATM transactions or an ATM operator, or any combination of these.

In undertaking this examination, APCA should consider the existing ATM network and the extent to which this is characterised by low barriers to entry as evidenced by the substantial growth in the numbers of ATMs as well as IAOs and card issuers in recent years.

APCA should identify requirements that are necessary to ensure the integrity and stability of the Australian payments system, which are likely to include prudential, commercial, regulatory, technical and security requirements.

APCA's review should be underpinned by an intent to promote direct access to the ATM network while at the same time maintaining a set of principles relating to the security and integrity of foreign ATM transactions. APCA should also bear in mind that technical arrangements and links between players must not be jeopardised by oversimplifying these issues.

If any significant barriers to entry are discovered, APCA should recommend how they might be removed or reduced.

APCA should also examine the rules of the Consumer Electronic Clearing System ("CECS") to determine if there are any barriers to entry that should be removed or reduced by amending the CECS rules.

Finally, if necessary, should APCA be of the view that there are significant issues around ATM access, then it should prepare a recommended action plan similar to the EFTPOS plan, including a recommended timeline for access reform to occur.

Please confirm that APCA is prepared and agrees to undertake the tasks requested.

Yours sincerely

Gavin Napier  
Chairman, AISG

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