



8 August, 2005

Dr John Veale  
Head of Payments Policy  
Reserve Bank of Australia  
GPO Box 3947  
SYDNEY NSW 2001

Dear John,

### **Draft Access Regime for the Visa Debit System**

Thank you for the opportunity to comment on the Reserve Bank of Australia's (RBA) Draft Access Regime for the Visa Debit System ('Draft Access Regime').

### **Purpose of Debit Access Regime**

As you are aware, Visa International requested the RBA to impose an access regime for VISA-branded debit cards (or to amend the access regime for Visa credit cards so that it extends to them) – see, for example, section 2.6 of Visa International's submission to the RBA dated 29 April 2005 in relation to the proposed regulation of the EFTPOS and Visa debit systems in Australia ('Visa International's April Submission').

Visa International made this request to ensure that any specialist credit card institution planning to operate both debit card and credit card programs in Australia would be eligible for membership of Visa International under a combination of its existing membership eligibility rules and the RBA regulations. In the absence of an access regime for debit cards, Visa International's globally applied membership eligibility rules are over-ridden in Australia only insofar as an applicant intends to engage in credit card activities – an outcome that is not commercially practicable or desirable.

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As Visa International indicated in discussions with the RBA when the credit card access regime was being developed, it does not operate separate credit card and debit card systems. Instead, all Visa members are entitled to issue and acquire cards bearing the VISA acceptance mark. Whether members choose to issue them as debit cards or as credit cards is a matter for them. In this regard, specialist credit card institutions in Australia need to be treated the same way as any other members of Visa International in Australia. We believe this will be achieved with imposition of an access regime for VISA-branded debit cards that is the same in all material respects as the RBA's access regime for VISA-branded credit cards.

Consequently, Visa International supports the Draft Access Regime.

### **Definition of 'Debit Card'**

Because Visa International does not have separate rules for a credit card scheme and for a debit card scheme, the definition of 'debit card' in the Draft Access Regime is too broad. It encompasses, at least technically, credit cards as well as debit cards. (The same outcome did not arise in relation to the proposed definition of 'debit card' in the RBA's Draft Standard No. 4 – The Setting of Interchange Fees in the Visa Debit Payment System in Australia ('Draft Standard No. 4') because it referred to access to the underlying deposit account.)

As mentioned in Visa International's April Submission and more recently in discussions with the RBA, we expect pre-paid products to be issued in Australia in the short to medium term. If the RBA intends to regulate such products, we consider that this should be done as part of the regulatory scheme for debit cards generally, not by a separate round of regulatory activity.

To address both of these points and to align the definitions, Visa International suggests amending the definition of 'debit card' in the Draft Access Regime as indicated below. (Underlining indicates inserted text.) The same definition should be used in Draft Standard No. 4.

“debit card’ means a card issued in Australia by a participant in the Visa Debit system, under the rules of the Scheme, that can be used for purchasing goods or services by accessing a deposit account or, in the case of a pre-paid debit card, by accessing the pre-paid balance linked to that card, or any other article issued under the rules of the Scheme that can be used for purchasing goods or services (other than a card or article commonly known as a credit card);”

## **General Comments**

VISA-branded debit cards are an integral part of the payments landscape in Australia and have been so for many years. They complement other payment products and are popular with a particular segment of the community that wishes to enjoy the extra functionality that VISA-branded products provide over EFTPOS and ATM cards, while still accessing their own money, rather than drawing on credit.

Today, approximately four million consumers enjoy the benefit of VISA Debit and merchants across the country see VISA Debit cards used to purchase over twelve billion dollars worth of goods and services each year. VISA Debit is already a critical and essential part of the Australian payments landscape and we hope that it remains so into the future.

Yours sincerely,

A handwritten signature in black ink that reads "Bruce Mansfield," with a comma at the end. The signature is written in a cursive, slightly slanted style.

Bruce Mansfield  
General Manager, Australia & New Zealand  
Visa International