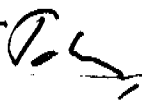


10 February 2006

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

Dear Dr Veale 

Draft Standard for the designated EFTPOS Payment System

I refer to the RBA's invitation to make submissions on its draft standard entitled *The Setting of Interchange Fees in the EFTPOS Payments System* (the Draft Standard) dated 16 December 2005.

In sum APCA's position on the Draft Standard is that the standardization of interchange fees is desirable because this will mean that bilateral negotiations in respect of interchange fees cannot be used to frustrate the objectives of the access code that APCA is developing for the EFTPOS System.

As the RBA is aware, APCA is in the final stages of developing an access code for EFTPOS (that will operate in conjunction with the RBA's access regime – a draft of which the RBA also released on 20 December 2005) that is applicable to institutions that are, or wish to become, direct connectors. That is, institutions that exchange transaction messages between each other directly, as opposed to using the services of a gateway or switch.

APCA's access code does not extend to interchange fees. However it is clear that interchange fees are material to the bilateral arrangements between issuers and acquirers and that they may therefore become a factor which affects the ability of potential new entrants to gain entry to and participate in the EFTPOS system on a competitive basis.

As such, the regulation of interchange fees will complement APCA's access code by preventing bilateral negotiations in respect of interchange fees being used to adversely affect the ability of potential new entrants to gain entry to and participate in the EFTPOS system on a competitive basis.

APCA does not have view on the appropriateness or otherwise of the manner in which standardization is proposed to be achieved or the methodology for setting the interchange fee benchmark and the minimum fee.



APCA's members may, of course, have their own views on whether the RBA should regulate interchange fees and the appropriateness or otherwise of the methodology for setting the interchange fee benchmark and the minimum fee.

Yours sincerely

A handwritten signature in black ink, appearing to read "Chris Hamilton", is positioned above a horizontal line.

Chris Hamilton
Chief Executive Officer

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