

14 February 2006

Dr John Veale
Head of Payment Policy
Reserve Bank of Australia
GPO Box 3947
Sydney NSW 2001

Your ref: Media Release No. 2005-16 dated 20/12/2005

Dear Dr Veale

**Submission to the RBA on the Proposed Draft Standards
for the EFTPoS System**

We refer to your notices dated 16 December 2005 issued by the Governor of the RBA entitled:

- Draft Access Regime for the EFTPoS System
- Draft Standard – The Setting of Interchange Fees in the EFTPoS System

In response to your invitation to interested parties, we provide below our comments on the above proposed standards.

Draft Access Regime for the EFTPoS System

We note that the Bank's draft Access Regime seeks to address the price existing participants may charge new or existing participants to establish a direct connection, and the potential for interchange fees to be used as a barrier to entry to the system.

With respect to the first of these, the draft Access Regime seeks to establish a cap on the fees an access provider may charge for establishing a new direct connection. We support the establishment of a cap and the recalculation of that cap every 4 years.

On the second matter, we note that the draft Access Regime provides protection for new entrants against receiving an unfair interchange rate that may place a new entrant at a competitive disadvantage. Accordingly, we support the no discrimination provisions of the draft Access Regime.

We welcome the Bank's decision to separate the effective date for the Access Regime from that for setting interchange fees to ensure we move quickly to open up the EFTPoS system.

Our single concern remains the same as that communicated to APCA during the Institutional Review of the Access Code during December 2004 and February 2005. That is, the practical basis under which a non-compliant access provider can be made to comply. While we note that the most recent re-draft of the access code has sought to address this, the issue remains of concern to us particularly should the industry body charged with ensuring compliance not be independent to the access providers themselves. Our strong preference remains for this role to be given to an independent industry regulatory body.

Draft Standard – The Setting of Interchange Fees in the EFTPoS System

As advised to the Bank in our letter dated 29 April 2005 titled “Submission to the RBA on the Proposed Draft Standards for EFTPoS and Visa Debit Reform”, we remain supportive of the proposed changes to how interchange fees will be set in the EFTPoS Payment system.

This said, we would like to see the Bank (or whom ever may be the most appropriate regulatory body), take an active role in ensuring the proposed savings are passed back to consumers.

Should you require any further information or wish to discuss any comment made in this letter, please do not hesitate to contact me on (07) 3258 4250.

Yours faithfully

Manuel Garcia
Chief Executive Officer