



22/03/2019

Payments Policy Department
Reserve Bank of Australia
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By Email: PYSubmissions@rba.gov.au

To whom it may concern

RBA Consultation – The Operation of the Interchange Standards

National Australia Bank (NAB) welcomes the opportunity to respond to the consultation paper by the Reserve Bank of Australia (RBA) on the operation of the Net Issuer Standard.

The current wording of the Standard appears to assume that all relationships between issuers and scheme administrators represent a traditional short-term 'supply/demand' model, without taking in to consideration long-term strategic arrangements.

For example, the exchange of value in longer-term arrangements would not necessarily be equally phased across a 12-month period. Rather it is likely to reflect strategic investment which could impact the periodic nature in which the Standard assumes the exchange of value between the two parties occurs.

Accordingly, we believe that issuers and scheme administrators should be attesting to compliance with the Net Issuer Standard as it relates to the life of their current arrangement, rather than compliance in a prescribed 12-month period.

This approach would ensure alignment between the intent of the Standard and more accurately reflect the nature of the relationship between issuers and scheme administrators. It would also prevent an increase in compliance costs to both parties.

Further feedback on the eight proposals noted in the RBA Consultation Paper can be found in the appendix.

NAB would be pleased to discuss any of these matters with the RBA further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Angus Gilfillan', is written over a white background.

Angus Gilfillan
Executive General Manager,
Consumer Lending

A handwritten signature in black ink, appearing to read 'Shane Conway', is written over a white background.

Shane Conway
Executive General Manager,
Deposits & Transaction Services

APPENDIX:

Proposal 1:

NAB proposes that the Net Issuer treatment reflect the underlying accounting application of the Issuing Bank.

Where an entity accrual accounts, we agree that the proposal would allow them to draw information to support their Net Issuer attestation from financials accounts.

However, where an entity uses an alternative accounting method - such as a cash basis – mandating the use of an accruals-based approach to Net Issuer compliance would create additional complexity and add to compliance costs. It also applies an unnecessary restriction to achieving the intent of the Standard.

In the instance where accrual accounting is mandated, we support the recommendation that permits an entity to deviate from this application when determining the appropriate net compensation methodology.

Therefore, we suggest amending the Standard to allow Issuers and Schemes to determine the most appropriate methodology to calculate their Net Issuer compliance. Both parties would then attest to the approach taken and confirm that no change to methodology will occur over the life of the contract.

Proposal 2:

NAB suggests the wording of the Core Services definition (i.e. relates only to basic functionality) is restrictive when determining the 'minimum necessary' services required to be an Issuer of the Scheme. Rather we suggest that 'core services' reflects the minimum expected capability in market, and that the service be available either domestically or globally.

Proposals 3, 4, 5, 7:

NAB is supportive of the proposed changes.

Proposal 6:

NAB agrees that consistent with the treatment of Issuer payments, the types of entities an issuer can receive an Issuer Receipt from include associated entities of scheme administrators.

Proposal 8:

NAB is supportive of the RBA providing transition arrangements that allow, for the reporting period ending 30 June 2019 only, an issuer to choose whether to comply fully with the current standard or the revised standard.