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Head of Payments Policy Department

Reserve Bank of Australia

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Review of Card System Access Regimes

Dear Sir/Madam

IP Payments (IPP) welcomes the opportunity to provide feedback on the Reserve Bank of Australia's (RBA) review of Card System Access Regimes.

IPP has considerable experience in navigating through the current Card Access Regime and the challenges that new entrants face. On 9 May 2011 IPP applied for an ADI license (Specialist Credit Card Institution - SCCI) from APRA following an extensive consultation period. On 13 July 2012 APRA provided an in-principle approval for IP Payments to conduct banking business (credit card acquiring).

In IPP's experience the following key issues require consideration in deciding on the appropriate Card System Access Regime going forward

1. Level of capital required for acquiring only

Obtaining an SCCI license requires a significant investment in Corporate Governance and Risk Management which IPP strongly supports. However the minimum level of capital imposed by the regulator may need further consideration. Currently APRA places a minimum capital hurdle regardless of the risks that an entity is proposing to undertake. For example a niche Acquirer undertaking low risk invoice payments for merchants may be a low risk model that should require lower minimum capital levels.

2. Scheme card settlement period

VISA and MasterCard Schemes currently provide a 1 or 2 day delay in settling merchant funds to the acquirers. Recently the major Banks who have access to significant liquidity have gained a significant competitive advantage by providing same day or overnight



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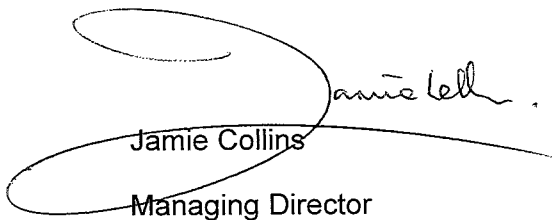
settlement to their merchants. Potential Non-Bank acquirers will not be able to match this and the delay in settlement from the schemes has created one of the most significant barriers to entry. Current technology and systems allow for much quicker settlements which would benefit merchants and put all acquirers on a level playing field.

3. APRA as an independent assessor

IPP found that compliance with the APRA's Prudential Standards a challenging process which brought benefits to the business. We found APRA to be independent and objective in their assessment of our compliance with their requirements. IPP would be concerned if VISA and MasterCard were the sole arbitrators in providing access to their Schemes as they may not treat all potential new entrants equally.

Please let me know if you have any queries or require any further information. We would be pleased to discuss our experience and views with you.

Yours Sincerely



Jamie Collins
Managing Director