



19 April 2012

Mr. Tony Richards
Head of Payments Policy Department
Reserve Bank of Australia
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Sydney NSW 2001

pysubmissions@rba.gov.au

Dear Tony,

Review of the Regulatory Framework for the eftpos System: Consultation on Designation

I refer to the above consultation paper (Consultation Paper issued by the Payment Systems Board (PSB) of the Reserve Bank of Australia (RBA)), calling for submissions by 20 April 2012 on two options proposed for replacement of the existing designation of the eftpos system under the Payment Systems (Regulation) Act 1998 (PSRA).

Coles Group Limited (CGL) is pleased to make the following submission:

Our view is that the current the eftpos designation continues to provide an adequate way of describing the eftpos system. Not all participants in the eftpos payments system are members of ePAL and for this reason we feel it appropriate that the current designation stand. However, with the advent of ePAL we do feel that a further alternative is open to the PSB which merits consideration.

The creation of ePAL and its work to date has in effect created a third Card Scheme with the potential to provide greater competition to Visa and MasterCard in future. For this reason, we would encourage the PSB to consider the alternative of leaving the current eftpos designation in place and issuing a new designation as proposed in Option 1 of its Consultation Paper, thereby effectively creating a designation for Scheme ePAL, as it were.

The current designation defines the eftpos system in the following way:

“The EFTPOS system is the electronic funds transfer at point of sale payment system described in clause 1 of the CECS Manual for the Consumer Electronic Clearing System and governed by the rules of that system set out in that manual, supplemented or modified by contracts, arrangements or understandings between individual issuers, acquirers and merchant principals (as that latter term is defined in the CECS Manual) in the system. This system allows cardholders to use a debit card to pay for goods or services or withdraw cash at the point of sale.”

In our view, this is still an accurate description of the current eftpos system, particularly given that not all eftpos participants are members of ePAL. It is for this reason that we do not feel that Option 1 on its own provides a solution at this time. However, given the very significant work undertaken by ePAL to date and the likelihood of further innovation by ePAL, we do feel that the current designation or Option 2 may not provide sufficient certainty for ePAL and its members as to the scope of what is intended to be regulated by designation and may add unnecessary complexity to regulation in this area.

Adding a new designation as described in Option 1 would be an appropriate alternate response. Option 1 defines the eftpos system by reference to ePAL's Scheme and Operational Rules. This definition would be consistent with the approach adopted for the designation of Visa Debit and the credit card schemes (i.e. a scheme based definition). This would create 'designation parity' with other scheme participants,

ePAL's work to date provides a centralized scheme management as an alternative to the existing bilateral arrangements. Combined with the changes to eftpos rules in respect of access through eftpos Access Australia Limited, this simplifies the regulation of eftpos in a manner which lowers the threshold for entry for new players and supports the competition and price efficiency objectives of the RBA. Having a separate designation for ePAL would also avoid the risk of non-ePAL members receiving the commercial benefits of the promotions and innovations driven by ePAL without having to contribute to the cost of ePAL's innovations.

By adopting such an approach, this would allow for those eftpos participants who are not yet members of ePAL and also provide an incentive to new and current eftpos participants to view ePAL as offering an alternative to Visa and MasterCard as a competitive payments scheme without deterring other appropriately regulated forms of participation in the eftpos system.

Coles Group would be pleased to discuss its submission further with the RBA and looks forward to the more detailed review to be undertaken by the RBA later this year.

Yours sincerely,

Douglas Swansson
Head of Payment Services