

EXPLANATORY NOTES FOR MERCHANTS AND BILLERS

*****PLEASE DISTRIBUTE THIS PAGE TO ALL PERSONS COMPLETING TEMPLATES*****

GENERAL GUIDELINES

This document provides general guidance that is relevant for completing ALL costs templates for merchants and billers.

- **Sectoral classification:** the focus of this study is on consumer payments (i.e. excludes business-to-business payments). Where possible, only include information on consumer payments (noting where this is not possible). It is important that a consistent sectoral classification approach is used WITHIN each template when specifying cost and transaction information (so that when, for each template, we calculate average cost per transaction we are dividing costs by the transactions to which they relate).
- **Reporting period:** please report figures for your business' most recent annual reporting period (and record what period this is). Where this is not possible, please indicate what period your figures represent.
- **Agency payments:** please record your business' costs of accepting payments through third party agencies (e.g. Australia Post) in the 'Agency Payments' template. This will include agency fees and any related internal processing costs that your business incurs. However, please report any other costs, such as dispute resolution for credit card transactions, in the payment-specific templates.
- **Total costs and fees:** where possible, please complete *all* cost sub-categories in the templates. If the costs within some sub-categories cannot be completed, please record the total costs of a payment-related activity AND ensure that any sub-categories for fees and charges (e.g. to financial institutions and third parties) are also completed. Please also record whether any fees paid are inclusive or exclusive of GST.
- **Labour/employee costs:** employee costs should be broadly defined and include all wages, training, benefits and other costs. Report labour costs as part of the costs associated with each functional category.
- **Depreciation/amortisation and sunk costs:** please record costs of depreciation and amortisation over the reporting period. Please indicate where costs are 'lumpy' (e.g. for recent equipment purchases). Where costs are lumpy over the reporting period, respondents may – **in addition** – provide estimates of more typical annual costs by averaging costs incurred over recent years (and attach a brief explanation of the reason for taking an average cost). Costs that have been fully written off (i.e. sunk) should be ignored.
- **Joint/common costs:** a number of the costs identified in the templates will be common to several payment instruments (i.e. need to be apportioned to more than one payment instrument). These joint costs should be allocated using an appropriate activity-based cost driver. Please indicate how these costs have been allocated and the cost driver employed. Examples of cost drivers include the number of transactions for each payment instrument, the proportion of staff time spent on a particular activity, etc. We envisage that, in the bulk of cases, the appropriate cost driver will be number of transactions.
- **Float and cost of capital:** where relevant, please indicate how calculations have been made for any float costs and cost of capital.
- **Fixed and variable costs:** for each cost identified in the templates, please identify whether, over the sample period, it was *predominantly* fixed (i.e. invariant with the number and value of transactions), variable with the number of transactions (V^{TRN}), or variable with the value of a transaction (V^{VAL}). For example, fraud costs tend to increase as the dollar value of transactions increase, so this would be variable by the value of a transaction. Please mark the appropriate

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column with an 'X'. If a cost was not *predominantly* one of these categories, please estimate the relevant proportions and make a note in the 'Comment' column (e.g. 40 per cent fixed, 30 per cent variable with the number of transactions and 30 per cent variable with the value of transactions).

- **Number and value of transactions:** within each costs template, there are areas to fill in the number and value of payments received by merchants and billers for the relevant period. The extent of information required varies by payment type. Please ensure that the number/value of payments is consistent with the coverage of the associated costs information.
- **Double counting:** please ensure that costs and numbers/values of transactions are not double counted.
- **Comments:** if there is insufficient room in the template for comments or details explaining cost estimates please provide a separate word document.

TEMPLATE 1: CASH PAYMENTS

This section provides guidance on the categories to be completed for the costs incurred by merchants or billers in accepting cash from consumers. Where possible, please exclude information associated with business-to-business payments. Cash payment costs can be broken down into four broad categories: 1) point-of-sale, 2) back-office processing, 3) deposit and cash deliveries, and 4) cash theft/losses.

Please indicate how joint/common costs have been allocated and the cost drivers employed.

Point-of-sale includes:

1. *Tender time*: this is the cost of receiving cash at the point-of-sale. This includes the cost of the time from when the customer is informed of the transaction amount (e.g. displayed on the cash register) to the time the payment is consummated (i.e. when the cashier delivers the receipt to the customer). It also includes the cost of training which is specific to cash payments.
2. *Register pick-up and delivery*: these are the costs of delivering cash to the point-of-sale and the periodic 'clearing' of the register for excess cash and other payment documents. Please attribute any joint costs to cash based on an appropriate cost driver (e.g. the proportion of transactions using cash).
3. *Equipment*: this includes the depreciation or lease costs of point-of-sale cash registers and drawers, LCD screens, and safes/lock boxes at the point-of-sale used for cash transactions. Please attribute this cost to cash based on an appropriate cost driver (e.g. the proportion of transactions using cash). Some equipment, such as cash registers, is used to fulfil functions such as management reporting and inventory management as well as accepting payments – if possible please attribute only the portion of equipment costs related to accepting payments.
4. *Security*: this includes all security measures in place at the point-of-sale to mitigate external cash theft. It might include security guards and infrastructure such as security screens. If security has a dual purpose of preventing the theft of goods as well as cash, only part of these costs should be allocated as a cost of cash.
5. *Other* (please specify). One cost that might be included here is the cost of stationery, such as money bags, used for cash handling.

Back-office processing includes:

1. *Deposit preparation*: this includes the sorting and bundling of cash and the preparation of cash deposits. This might be a joint cost with other payment instruments. Please allocate this cost to the various payment instruments based on an appropriate cost driver.
2. *Storage*: this includes the storage of cash, possibly in a safe/lock box. If these facilities are mostly used for securing cash then their depreciation or lease cost can be totally attributed to cash – if not, their cost needs to be apportioned to different payment instruments or functions using an appropriate driver, such as the proportion of transactions of each payment instrument. Do not include the cost of storage if it is fully written off (i.e. sunk). This excludes the costs of safes/lock boxes used at the point-of-sale, these are captured above in 'Point-of-sale – Equipment'.
3. *Reconciliation and settlement*: this would largely be the staff costs related to the reconciliation of bank statements. This might be a joint cost with other payment instruments – if so, it might be allocated based on the proportion of all purchases made using cash.
4. *Other* (please specify).

Deposit and cash deliveries includes the costs of the transportation of cash to and from the merchant and the merchant's financial institution. This includes:

1. *Armoured truck*: if cash is transported by armoured truck services, please include these costs. Please indicate if any fees or charges reported are inclusive or exclusive of GST.
2. *Staff*: if cash is transported by internal staff, an estimate of the cost of their time should be provided, plus any transportation costs.
3. *Fees*: this might include bank fees associated with making cash deposits, including the use of night safes and lock boxes. Please indicate if this cost is inclusive or exclusive of GST.
4. *Other* (please specify).

Cash theft/losses includes:

1. *Shrinkage, theft and counterfeit notes*: this includes all costs of internal and other cash theft, other internal cash losses (e.g. errors at the point-of-sale from cash payments), and the cost of counterfeit notes. Please include actual losses/write-offs and costs associated with loss prevention and investigation related to internal cash theft. Please deduct successful recoveries of funds (except through insurance claims – these are recorded below).
2. *Insurance (net of claims)*: this is the cost of insurance specifically taken out against cash theft (net of any successful claims).
3. *Other* (please specify).

Other includes any merchant/biller costs associated with cash payments and handling not covered by the above categories. Two costs that might be included here are cash float and the cost of capital (if any) related to cash. The cost of capital is the required return on equipment associated with accepting and processing cash payments. Please outline how these costs are calculated.

Please specify all other costs included in this category.

TEMPLATE 2: CARD PAYMENTS

This section provides guidance on the categories to be completed for the costs incurred by merchants or billers in accepting consumer payments via credit card, scheme debit and EFTPOS. Where possible, please exclude information associated with business-to-business payments. Card payment costs can be broken down into four categories: 1) point-of-sale, 2) back-office processing, 3) net write-offs, and 4) account management.

Please indicate how joint/common costs have been allocated and the cost drivers employed.

For scheme debit, please only report the merchant's costs of scheme transactions on deposit/transaction accounts. This excludes the cost of all EFTPOS cash-outs from deposit/transaction accounts.

For EFTPOS, please report the merchant's costs of proprietary debit transactions on deposit/transaction accounts. This includes EFTPOS purchases and all EFTPOS cash-outs from deposit/transaction accounts.

For credit cards, costs *directly* associated with credit card payments made via direct debit, BPAY or through agencies (e.g. payment processing costs) should be included only in the respective 'Direct Debit', 'BPAY' and 'Agency Payments' templates. However, other card specific costs borne by the merchant or biller – for example, disputes handling (e.g. voucher retrievals and chargeback processing) and write-offs for credit cards – should be captured in the 'Card Payments' template. Please indicate where this is not possible.

Please report the costs attributable to transactions on cards issued under the brand of three party schemes (e.g. Amex and Diners) in the credit card column. Similarly, please report transaction numbers and values attributable to cards issued under the brand of three party schemes in the credit card column.

Where possible, please exclude all costs (and related transaction numbers and values) associated with payments by store cards or finance.

Point-of-sale includes:

1. *Tender time*: this is the cost of the time from when the customer is informed of the transaction amount (e.g. displayed on the cash register) to the time the payment is consummated (i.e. when the cashier delivers the receipt to the customer). It also includes the cost of training which is specific to each payment instrument and the cost of staff time using the acquirer's point-of-sale help desk (if any).
2. *Register pick-up*: this is the cost of the periodic 'clearing' of the register for excess cash and other payment documents (e.g. signed debit card slips and signed credit card slips if they are collected). Please attribute this cost to the various payment instruments based on an appropriate cost driver (e.g. the proportion of transactions using each type of card).
3. *POS devices*: this includes point-of-sale terminals and card imprinters.

If the acquirer (merchant's bank) owns the POS devices this cost should be reported under the 'acquirer' sub-category; costs include terminal rental and lease fees paid to the acquirer. Do not include per transaction fees as these are captured under 'Transaction fees paid to acquirers'.

If the merchant (or a third party) owns the POS devices this cost should be reported under the 'non-acquirer' sub-category (i.e. all POS device costs paid directly by the acquirer

should be excluded); costs include delivery and installation, maintenance and servicing (i.e. device management) and depreciation/amortisation of POS devices, systems and software (and fees paid to third parties).

4. *Communication link* (between the acquirer and the merchant).

If the acquirer (merchant's bank) owns the communication link this cost should be reported under the 'acquirer' sub-category; costs include fees and charges (directly related to the communication link) paid to the acquirer.

If the merchant (or a third party) owns the communication link this cost should be reported under the 'non-acquirer' sub-category (i.e. all communication link costs paid directly by the acquirer should be excluded); costs include installation, maintenance and depreciation/amortisation of equipment, systems and software (and fees paid to third parties).

5. *Switch*.

If the acquirer (merchant's bank) owns the switch this cost should be reported under the 'acquirer' sub-category; costs include fees and charges (directly related to the switch) paid to the acquirer.

If the merchant (or a third party) owns the switch this cost should be reported under the 'non-acquirer' sub-category (i.e. all switch costs paid directly by the acquirer should be excluded); costs include installation, maintenance and depreciation/amortisation of equipment, systems and software (and fees paid to third parties).

6. *Other equipment*: this includes the depreciation or lease costs of integrated cash registers (the portion attributable to card payments, as registers are used for other payment instruments and fulfil other functions such as management reporting and inventory management).

It also includes the depreciation or lease costs of check-out facilities, drawers, LCD screens, and safes/lock boxes at the point-of-sale specifically used for card transactions. Please attribute this cost to cards based on an appropriate cost driver (e.g. the proportion of total transactions that are made using cards).

Please also include any other equipment costs incurred by the merchant in accepting card payments other than fees paid to the acquirer or third parties for gateway services or payment processor services (e.g. Interactive Voice Response telephone services). Please include transaction related fees paid to the acquirer and third parties for gateway services or payment processor services in the appropriate categories (7-10) below.

7. *Lock box fees*: the portion of fees paid for lock box services that relates to the receipt of credit card payments. A possible method of allocating this cost is the proportion of total payments received through the lock box that are from credit cards. Please indicate if fees are inclusive or exclusive of GST.

8. *Transaction fees paid to acquirer*: this includes transaction fees, merchant service fees, voice authorisation fees, stationery fees, point-of-sale help desk enquiry fees charged by the acquirer, and any other transaction related fee charged by the acquirer. Please indicate if fees are inclusive or exclusive of GST.

9. *Gateway fees*: These are third party gateway fees. Please indicate if fees are inclusive or exclusive of GST.

10. *Payment processor fees*: These are third party payment processor fees, for services and facilities which enable merchants to receive payments from their customers, such as web

pages, shopping cart (for web pages) and Interactive Voice Response telephone services. Please indicate if fees are inclusive or exclusive of GST.

11. *Other* (please specify).

Back-office processing includes:

1. *Deposit preparation*: this includes the preparation of deposit bundles for credit card slips, debit card slips, cheques, etc. Please attribute this cost to the various payment instruments based on an appropriate cost driver. Please do not double count these costs with the 'Deposit preparation' category in the 'Cash' template and the 'Back-office processing' category in the 'Cheques' template.
2. *Storage*: this includes the storage of signed debit card and credit card receipts, possibly in a safe/lock box. If these facilities are mostly used for securing *cash* then their depreciation or lease cost can be totally attributed to cash – if not, their cost needs to be apportioned to different payment instruments using an appropriate driver, such as the proportion of transactions of each payment instrument, or the proportion of storage space used for each instrument. Do not include the cost of storage if it is fully written off (i.e. sunk).
3. *Reconciliation and settlement*: this would largely be the staff costs related to the reconciliation of bank statements and might be a joint cost with other payment instruments – this might be allocated based on the proportion of all purchases made using each type of card.
4. *Disputes*: this includes:
 - Processing voucher retrieval requests: this is a request to a merchant for documentation concerning a transaction, usually initiated by a cardholder dispute or suspicious sale.
 - Chargeback processing: this includes receiving chargebacks from the acquirer, sending information to and receiving information from the acquirer, processing, and sending representations to the acquirer.
 - Processing doubtful transactions arising in the EFTPOS system.
 - Processing disputed transactions arising in the EFTPOS system.
 - Any other costs associated with transaction disputes not covered by another category. This excludes write-offs, these costs are captured below.
5. *Other* (please specify).

Net write-offs is the net amount written off by the merchant for chargebacks and fraud losses.

Account management includes:

1. *Merchant costs*: this includes the internal costs incurred by the merchant for any enquiries and requests other than those already captured above (e.g. point-of-sale help desk enquiries, disputes – i.e. voucher retrieval, chargeback processing, etc.).
2. *Non-transaction fees paid to acquirer*: all fees charged by the acquirer, except transaction fees which are reported in 'Point-of-sale' above. Please indicate if fees are inclusive or exclusive of GST.
3. *Other* (please specify).

Please report these categories separately.

Other includes any merchant card costs not covered by the above categories. This should include:

1. *Delayed settlement of funds*: this is the cost to the merchant for any delay between purchase and the merchant receiving funds from the acquirer. Please specify how this cost is calculated.
2. *Acquirer protection*: this is the opportunity cost of any funds/collateral held by the acquirer to reduce the risks the acquirer faces. Please specify how this cost is calculated.
3. *Cost of capital*: this is the merchant's cost of capital (if any) related to cards. The cost of capital is the required return on equipment associated with accepting and processing card payments. Please attribute this cost to the various payment instruments (EFTPOS, scheme debit and credit cards) based on an appropriate cost driver. Please specify how this cost is calculated.

Please specify all other costs included in this category. This may include any costs incurred in complying with the Payment Card Industry (PCI) data security standards for customer information.

Transaction Number and Value Information

Transactions (total):

For credit cards this is all credit card payments except credit card payments by direct debit, BPAY and agencies (e.g. Australia Post). It includes all transactions from three party schemes (e.g. Amex and Diners).

For scheme debit this is all scheme transactions on deposit/transaction accounts processed through one of the international card schemes, except agency payments (e.g. Australia Post). This excludes all EFTPOS cash-out transactions.

For EFTPOS this is all proprietary debit transactions on deposit/transaction accounts, including all EFTPOS cash-out transactions. It excludes all agency payments (e.g. Australia Post).

Transactions over POS devices owned by the acquirer: transactions that are conducted over POS equipment owned by the reporting merchant's/biller's bank (i.e. these are transactions over POS equipment that are leased or rented to the merchant by the acquirer). This excludes transactions conducted over POS equipment owned by the merchant or owned by a third party (n.b. large retailers often own their own POS equipment). This section also includes transactions that are conducted over POS equipment owned by the reporting merchant's/biller's bank but not acquired by the reporting merchant's/biller's bank (e.g. Amex and Diners transactions).

Transactions over communication link owned by the acquirer: transactions that are routed over the communication link (between the merchant and the acquirer) that is owned by the reporting merchant's/biller's bank. (N.b. large retailers may supply their own communication link with the acquirer.) This section also includes transactions that are routed over the communication link (between the merchant and the acquirer) that is owned by the reporting merchant's/biller's bank but not acquired by the reporting merchant's/biller's bank (e.g. Amex and Diners transactions).

Transactions over switch owned by the acquirer: transactions that are routed through a switch that is owned by the reporting merchant's/biller's bank. (N.b. large retailers may have their own switch.) This section also includes transactions that are routed through a switch that is owned by the reporting merchant's/biller's bank but are not acquired by the reporting merchant's/biller's bank (e.g. Amex and Diners transactions).

TEMPLATE 3: CHEQUE PAYMENTS

This section provides guidance on the categories to be completed for the costs incurred by merchants and billers in accepting cheques as a consumer payment instrument. Where possible, please exclude information associated with business-to-business payments. Cheque payment costs can be broken down into four categories: 1) point-of-sale/receipt of cheque, 2) back-office processing, 3) deposit, and 4) exceptions processing and write-offs.

The template captures costs from merchants/billers that accept cheques from consumers at the point-of-sale, and also from those that receive cheque payments from consumers by mail (either directly to the merchant or through a lock box service). Respondents should complete only the sections relevant to them – for example, billers using a lock box service may not incur pre-deposit processing costs. Please indicate where any costs are not relevant.

Please indicate how joint/common costs have been allocated and the cost drivers employed.

Point-of-sale/Receipt of cheque includes:

1. *Tender time*: this is the cost of accepting a cheque at the point-of-sale. This includes the cost of staff time in accepting the payment, from the time when the customer is informed of the transaction amount (e.g. displayed on the cash register) to the time payment is consummated (i.e. when the cashier returns a receipt to the customer). It also includes the cost of training which is specific to cheques.
2. *Register pick-up*: this is the cost of the periodic ‘clearing’ of the register for cheques, cash and other payment documents. Please attribute this cost to cheques based on an appropriate cost driver (e.g. the proportion of transactions using cheques).
3. *Equipment*: this includes the depreciation or lease costs of point-of-sale equipment used for accepting and storing cheques. It might include point-of-sale cash registers and drawers, LCD screens, and safes/lock boxes at the POS that are used for cheque transactions, where these costs are not sunk costs. Please attribute this cost to cheques based on an appropriate cost driver (e.g. the proportion of total transactions that are made using cheques). Some equipment, such as cash registers, is used to fulfil functions such as management reporting and inventory management as well as accepting payments – if possible please attribute only the portion of equipment costs related to accepting payments.
4. *Cheque guarantee costs*: these are all costs incurred through the use of cheque guarantee services. This should include any fees to cheque guarantee companies, telecommunications costs involved with performing guarantee checks, and any other expenditures not covered by fees. Please report fees separately to other costs, and indicate if fees are inclusive or exclusive of GST.
5. *Lock box fees*: the portion of fees paid for lock box services that relates to the receipt of cheque payments. A possible method of allocating this cost is the proportion of total payments received through the lock box that are cheques. Please indicate if fees are inclusive or exclusive of GST.
6. *Collection and opening of mail, reconciliation*: these are the costs related to the initial processing of cheques received in the mail, where a lock box service is not used. This includes the cost of collecting and opening mail, and reconciling the payments to customer accounts.
7. *Other* (please specify). One cost that might be included here is any one-off or upfront costs related to verifying a customer’s identity for the acceptance of cheques e.g. issuance of store cheque cards.

Back-office processing includes:

1. *Deposit preparation*: this is the cost incurred in deposit preparation, and is likely to be largely staff costs related to counting cheques, recording and other accounting procedures, and deposit slip preparation, as well as reconciliation of final bank statements. This may be a joint cost with other payment instruments – if so, it might be allocated based on the proportion of all payments made using cheques. Please do not double count any costs included in the ‘receipt of cheque’ category.
2. *Other* (please specify).

Deposit includes:

1. *Deposit costs*: these are the costs the merchant incurs in depositing cheques at its financial institution. This includes the transportation of cheques to the financial institution and any time spent queuing to make the deposit. If this is a joint cost, it should be allocated using an appropriate cost driver (e.g. the number or value of transactions made using each payment instrument). Any bank fees should not be included in this section.
2. *Deposit related bank fees*: this includes deposit fees paid to the merchant’s/biller’s financial institution (if any). Dishonour fees and lock box fees should not be included in this section. Please indicate if fees are inclusive or exclusive of GST. These fees should be allocated across payment instruments that require deposit using an appropriate cost driver (e.g. the proportion of total payments that require deposit (likely to be mainly cash and cheques) that are cheque payments).

Exceptions processing and write-offs are costs incurred when a cheque payment is disputed, dishonoured, erroneous, fraudulent, non-standard, etc. This includes:

1. *Exceptions processing*: all costs, other than fees paid to the merchant’s financial institution, incurred in processing exceptions such as dishonours and disputes. This includes the costs incurred trying to collect payment on dishonoured cheques. This should also include additional costs incurred when there is a problem with a cheque received by mail (e.g. unsigned, does not match required payment amount, etc). Please specify any other costs included.
2. *Losses/write-offs*: this includes any losses and write-offs from cheque payments.
3. *Bank fees*: fees charged by the financial institution when a cheque is dishonoured. Any other bank fees charged for exceptions should be included here – please identify these fees. Please indicate if fees are inclusive or exclusive of GST.
4. *Other* (please specify).

Other includes any merchant/biller cheque costs not covered by the above categories.

This might include the cost of delayed settlement of funds. There are two components to this cost. One is interest foregone due to the time delay between when a cheque is received and when it is deposited into the merchant’s account. The second is any cost that is incurred due to the three day settlement period, during which time the merchant may be unable to access the deposited funds. Please describe how these costs are calculated.

This section should also include the cost of capital (if any) related to cheques. The cost of capital is the required return on equipment associated with accepting and processing cheque payments. Please specify how this cost is calculated.

Please specify all other costs included in this category.

TEMPLATE 4: DIRECT DEBIT PAYMENTS

This section provides guidance on the categories to be completed for the costs incurred by a merchant or biller (the 'User') in accepting direct debit payments. If some costs associated with direct debit payments are common with direct credit payments, including those made between your business and other businesses, please allocate these common costs to direct debit payments based on appropriate cost drivers (e.g. the proportion of total direct entry transactions that are direct debits).

Direct debit payment costs can be broken down into four broad categories: 1) overheads, 2) back-office processing, 3) direct debit set-up and maintenance, and 4) exceptions processing and write-offs.

Please indicate how joint/common costs have been allocated and the cost drivers employed.

Overheads includes:

1. *Systems and IT*: this includes any depreciation/amortisation of the cost of systems, IT and software (if any) that support direct debit payments.
2. *Maintenance*: this includes any maintenance costs – including staff costs – to systems and IT that support direct debit payments.
3. *Customer service*: this captures general customer service costs related to direct debit (excluding that directly attributable to direct debit set-up and maintenance – see below).
4. *Fees*: this includes any fees paid to third parties or financial institutions for the provision of general direct debit services – excluding payment processing and transaction fees. Please indicate if fees are inclusive or exclusive of GST.
5. *Other* (please specify).

Back-office processing includes:

1. *Back-office processing (excluding fees)*: all costs of processing direct debit payments, receiving information from the merchant's financial institution, and the reconciliation of direct debit payments. These costs are likely to include at least staff and telecommunications costs.
2. *Transaction fees*: these are the per transaction fees the merchant pays to its financial institution or third-party processor for processing direct debit payments. Please separately identify transaction fees for direct debit payments from deposit/transaction accounts and credit card accounts. Please indicate if fees are inclusive or exclusive of GST.
3. *Other* (please specify).

Direct debit set-up and maintenance includes:

1. *Set-up and maintenance*: these are the costs of establishing Direct Debit Requests from customers and making changes to established direct debits. This might include staff costs to process Direct Debit Request (DDR) forms, to communicate with customers and financial institutions, and to make changes (cancellations, amendments to bank account details, etc.) to existing direct debits. It may also include telecommunication costs, postage, printing and stationery costs (for example, if direct debit requests and changes are confirmed with the customer in writing). It will also include any costs associated with storing DDRs.

2. *Third-party processor fees*: these are fees paid to third parties for the set-up of direct debits and the processing of Direct Debit Request forms. Please indicate if fees are inclusive or exclusive of GST.
3. *Other* (please specify).

Exceptions processing and write-offs are the costs resulting from disputes, fraud and errors related to direct debit transactions *solely from deposit/transaction accounts*. Equivalent costs associated with direct debit transactions from credit card accounts should be included in the Cards template ('Disputes' and 'Net Write-offs' sections). This includes:

1. *Exceptions processing*: this includes staff costs of communicating with customers and financial institutions; the retrieval of Direct Debit Request forms and receipts/vouchers; and costs associated with processing returned/dishonoured payments.
2. *Losses/write-offs*: this includes all losses and write-offs due to direct debit exceptions. Please include any insurance costs (net of successful claims). Please also indicate any costs of fraud prevention and management associated with direct debit payments.
3. *Bank fees*: this includes all fees charged by financial institutions for direct debit exceptions (e.g. dishonour fees). Please indicate if fees are inclusive or exclusive of GST.
4. *Other* (please specify).

Other includes any merchant/biller direct debit costs not covered by the above categories. This might include the cost of capital (if any) related to direct debit. The cost of capital is the required return on equipment associated with accepting and processing direct debit payments. Please specify how this cost is calculated.

Please specify all other costs included in this category.

TEMPLATE 5: BPAY PAYMENTS

This template covers costs incurred by merchants and billers in accepting BPAY payments. Broadly, these costs can be classified into four main categories: 1) overheads, 2) back-office processing, 3) fees, and 4) exceptions processing.

Any costs or fees related to BPAY View should not be included in this template, nor should the costs of printing and distributing bills.

Please indicate how joint/common costs have been allocated and the cost drivers employed.

Overheads includes:

1. *Systems, IT and communications*: this includes any depreciation/amortisation of the cost of systems, IT, software and communications that support the acceptance of BPAY payments (e.g. communications with the financial institution). This may be a joint cost; if so an appropriate cost driver should be used to allocate costs to BPAY.
2. *Maintenance*: this includes any maintenance costs – including staff costs – to systems and IT that support BPAY payments.
3. *Other*: please specify.

Back-office processing includes the costs the merchant/biller incurs in receiving BPAY payment information from its financial institution through to the reconciliation of this information against its accounts, and reconciliation of final accounts against bank statements. Any joint costs should be allocated to BPAY using an appropriate cost driver e.g. the proportion of total payments made using BPAY. Please specify any other costs.

Fees includes:

1. *Transaction account payment related fees*: fees paid by the merchant/biller to its financial institution for BPAY payments made through a transaction account. This excludes any fees for payments funded by a credit card account. Please indicate if fees are inclusive or exclusive of GST.
2. *Credit card payment related fees*: fees paid by the merchant/biller to its financial institution for BPAY payments funded by a credit card account. Please indicate if fees are inclusive or exclusive of GST.
3. *Other*: this includes any other fees paid to the financial institution related to BPAY that are not already captured above (please specify). Please allocate any joint costs using an appropriate cost driver.

Exceptions processing: this should include the costs of processing any exceptions or errors. This may include staff, systems and IT, and telecommunications costs. Any costs associated with handling disputes on BPAY payments made from a credit card account should be included in the 'Cards' template.

Other includes any merchant/biller BPAY costs not covered by the above categories. This might include the cost of capital (if any) related to BPAY. The cost of capital is the required return on equipment associated with accepting and processing BPAY payments. Please specify how this cost is calculated.

Please specify all other costs included in this category.

TEMPLATE 6: AGENCY PAYMENTS

The costs to merchants and billers of accepting each of the various payment instruments are predominantly collected in the individual templates. However, some billers also allow their customers to make payments at agencies e.g. Australia Post. This template covers the costs that merchants/billers incur in accepting these agency payments, comprising internal costs associated with receiving and processing payments from agencies and agency fees paid. The costs of accepting payments through agencies can be broken down into: 1) overheads, 2) back-office processing, and 3) fees. The aim of collecting these costs is not to produce a final estimate of the cost of accepting payments through an agency. Instead, the costs collected in this template will be allocated into the final cost estimate for each of the individual payment instruments.

Please indicate how joint/common costs have been allocated and the cost drivers employed.

Please separately report costs and transaction numbers/values for transactions conducted at Australia Post. Where costs are common across all agency payments, costs should be allocated between Australia Post and any other agencies using an appropriate cost driver e.g. transaction numbers.

Overheads includes any depreciation/amortisation of the costs of systems, IT, software and communications equipment that supports the acceptance of agency payments. This should also include any costs of maintenance – including staff costs – to these systems and equipment. This may be a joint cost, if so an appropriate cost driver should be used to allocate costs to agency payments e.g. the number of agency payments.

Back-office processing includes all costs of receiving payments information from agencies, reconciling this information and communicating with agencies regarding payments. Any joint costs should be allocated to agency payments based on an appropriate cost driver e.g. the proportion of total payments that are agency payments.

Agency fees includes all fees paid to agencies for accepting and processing payments on behalf of the merchant or biller. Where possible, and at least for Australia Post payments, please separately identify fees paid for each type of payment method used at agencies.

Other includes any merchant/biller agency payment costs not covered by the above categories.

This might include the cost of delayed settlement of funds. This is the cost to the biller for any delay between the time of payment by the customer and the time the merchant receives funds from the agency. Please specify how this cost is calculated.

It may also include the cost of exceptions, specifically related to dealing with the agency. Any costs borne by the merchant/biller associated with agency payments that are specific to individual payment types – e.g. dispute resolution for credit card transactions, cheque dishonours and other exceptions – should be recorded in the relevant payment-specific templates.