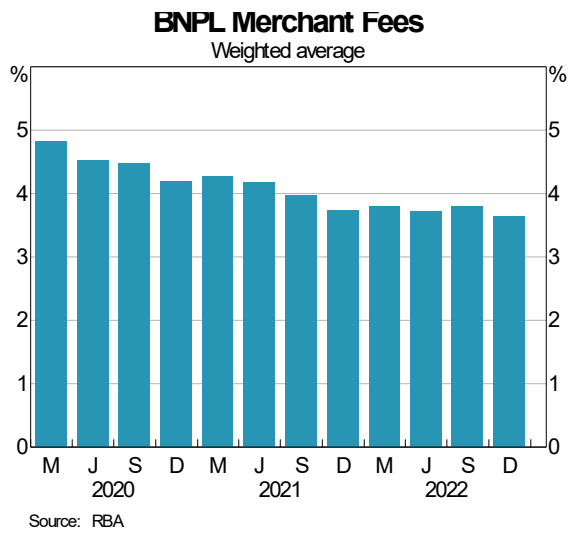


THE AUSTRALIAN BNPL SECTOR – DECEMBER QUARTER 2022

Merchant fees

G5: The weighted-average merchant fee across the industry decreased by 0.1 percentage points to 3.6 per cent in the December quarter.



Payments Efficiency & Competition
3 March 2023

From:
Sent: Tuesday, 7 March 2023 10:14 AM
To:
Cc:
Subject: RE: Benchmarking - Issuing Coverage [SEC=OFFICIAL]

Hi All,

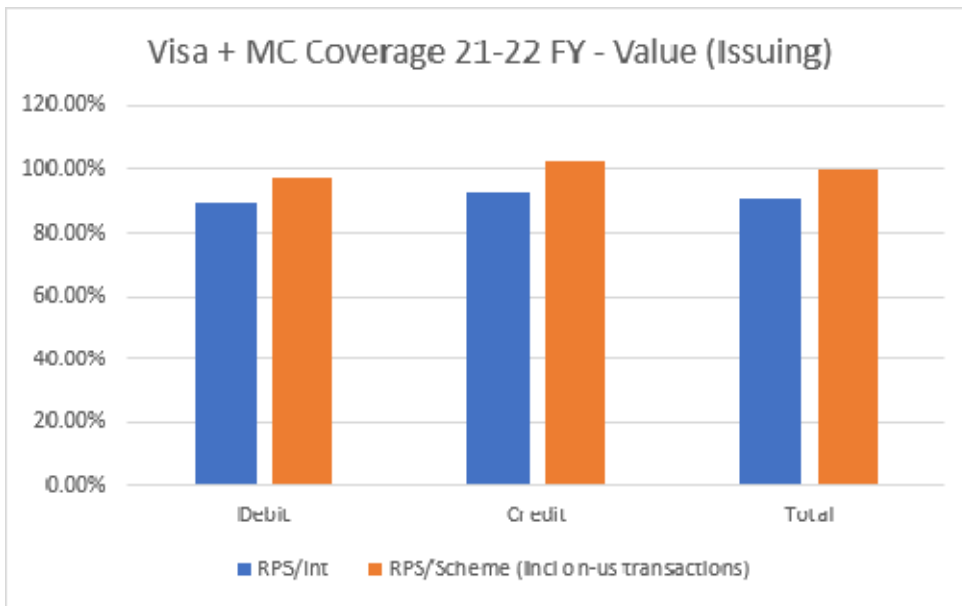
Here are my preliminary findings from the card issuing side of the benchmarking exercise.

A few things to note regarding the data below:

- For the card issuing data, there is no breakdown by scheme (Visa and Mastercard) in the RPS and as a result the percentages below represent a combined coverage of Visa and Mastercard data for both the interchange as well as scheme fee datasets.
- The RPS/Interchange coverage excludes on-us transactions and only includes domestic transactions on domestic issued cards as Troy noted below.
- The RPS/Scheme coverage includes on-us transactions and includes both domestic and international transactions on domestic issued cards. In these calculations, I treat Visa as having included on-us transactions in the scheme fee data they have reported and so I've used the on-us included figures from the scheme fees reported data for both Visa and Mastercard as the denominator of the RPS/Scheme ratio. The on-us transactions I have used for the numerator in these calculations are sourced from the card acquiring data as we do not have a breakdown in the card issuing data for on-us transactions. Please let me know if I should not be using these numbers for the issuing calculations.
- Regarding the eftpos data, the results from the issuing data are exactly the same as on the acquiring side. A couple of reasons for this:
 - Firstly on the interchange fees, the data from the acquiring side and issuing side both match up after accounting for on-us transactions which is good as we receive the data directly from eftpos.
 - Secondly on the scheme fees, we don't request transactions from eftpos for this dataset as we source the numbers directly from the monthly RPS (Apologies for the confusion in the benchmarking the card acquiring side, this number should have been 100% in the graphs).
- With regards to the Visa + Mastercard coverage, I think as expected we have pretty good coverage on the issuing side - around 90% for the interchange data and high 90's for the scheme fee data. However, I have calculated our coverage for credit on the scheme fee data to be greater than 100% (as highlighted in red) indicating the numbers we are receiving from the acquirers outweigh the figures we are getting from Visa and Mastercard for the scheme fee data. A couple of possible explanations could be that:
 - I've noticed the on-us transactions we receive from the acquirers are slightly higher than the on-us transactions than those received from the schemes contributing to the greater coverage in the scheme fee data than the interchange data. This may be that either the acquirers are overstating their on-us transactions or the schemes may be understating these numbers.
 - Another possible explanation although I am unsure how likely this is but the RPS data could be overall possibly overstated from the acquirers.
 - I've also included the share of volume and values from an institutional level for the 2021-22 FY. I don't notice anything too particular out of the ordinary but interestingly of the issuing market from a transactional volumes perspective.

Any thoughts, views or potential explanations on the above issues/findings would be greatly appreciated. Thank you!

	RPS/Int	RPS/Scheme (incl on-us transactions)
<i>Debit</i>	89.08%	97.55%
<i>Credit</i>	93.21%	102.81%
<i>Total</i>	90.79%	99.76%



Regards,

Payments Policy Department

RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
 w: www.rba.gov.au

From:
Sent: Wednesday, 1 March 2023 4:05 PM
To:
Cc:
Subject: RE: Benchmarking - Issuing Coverage [SEC=OFFICIAL]

Hi

Yes we have the domestic and international transaction separately identified on the CI form to do this exercise. Just note we think the CI data should include on-us transactions, so take that into account when doing the benchmarking.

Cheers

From:
Sent: Wednesday, 1 March 2023 3:31 PM
To:
Cc:
Subject: RE: Benchmarking - Issuing Coverage [SEC=OFFICIAL]

Hi

Yes that sounds right to me on the interchange and scheme fee data.

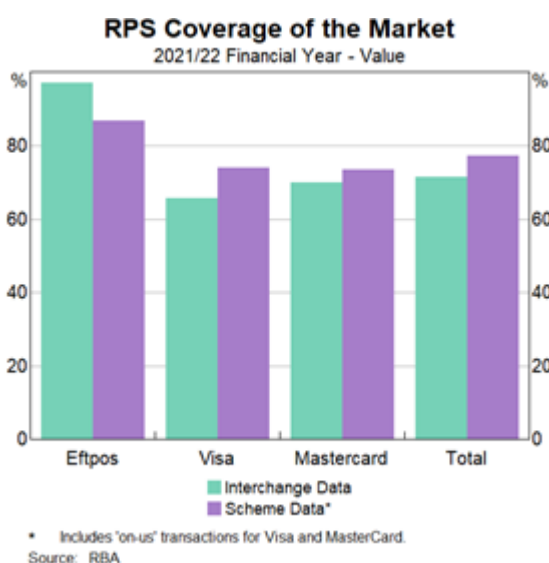
(I'm not sure where our investigations got to re: on-us transactions, but from the graph it looks like we have confirmed it at least for scheme fees for Visa and MC so that is helpful)

Thanks

From: GILL, Troy
Sent: Wednesday, 1 March 2023 3:09 PM
To:
Cc:
Subject: RE: Benchmarking - Issuing Coverage [SEC=OFFICIAL]

Hi

Sorry I haven't spoken to you about this. Yes can you please do a similar exercise for the issuing side of the market (but hopefully not to the same level of detail). I really just want to cross-check our assumption that we have pretty good coverage of the issuing market (which is because we have the major banks and aggregators like Cuscal). So perhaps the first port of call would be to produce a graph like the one below for the issuing side (or even just the total bars in the first instance) – hopefully it shows that we're above 90% and we can stop there.



The idea would be to use, again, the transaction data from the interchange fee reporting and the scheme fee reporting as measures of total card payments activity.

- The interchange fee data will capture all domestic transactions on Australian-issued cards (so we'll need to compare this to the RPS issuing data *excluding* overseas transactions on Australian-issued cards).

- And of course we'll have to use the *issuing* transaction data from the scheme fee reporting (but since this includes both domestic and overseas transactions on Australian-issued cards, we can compare this to the RPS issuing data that *includes* overseas transactions on Australian-issued cards).

does the stuff in yellow sound correct to you?

Thanks,

From:

Sent: Wednesday, 1 March 2023 12:32 PM

To

Subject: Benchmarking - Issuing Coverage [SEC=OFFICIAL]

Hi

I wanted to reach out regarding the benchmarking exercise as [redacted] has mentioned that you may also have ideas of assessing our coverage on the issuing side of the market.

Happy to get a head start on this if the plan is to emulate what we did with the acquiring data.

Keen to hear your thoughts.

Thanks,

Payments Policy Department

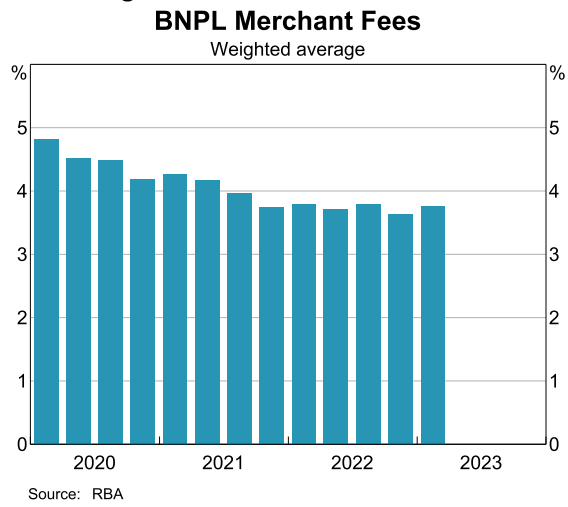
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w: www.rba.gov.au

THE AUSTRALIAN BNPL SECTOR – MARCH QUARTER 2023

Merchant fees

G5: The weighted-average merchant fee increased by 0.1 percentage points to 3.8 per cent in the March quarter, partly due to no longer being in the sample. The largest providers' fees were unchanged.



Payments Efficiency & Competition
24 May 2023