

Australian Smart Cards Summit 2008

Update on Payments System Reforms

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Outline

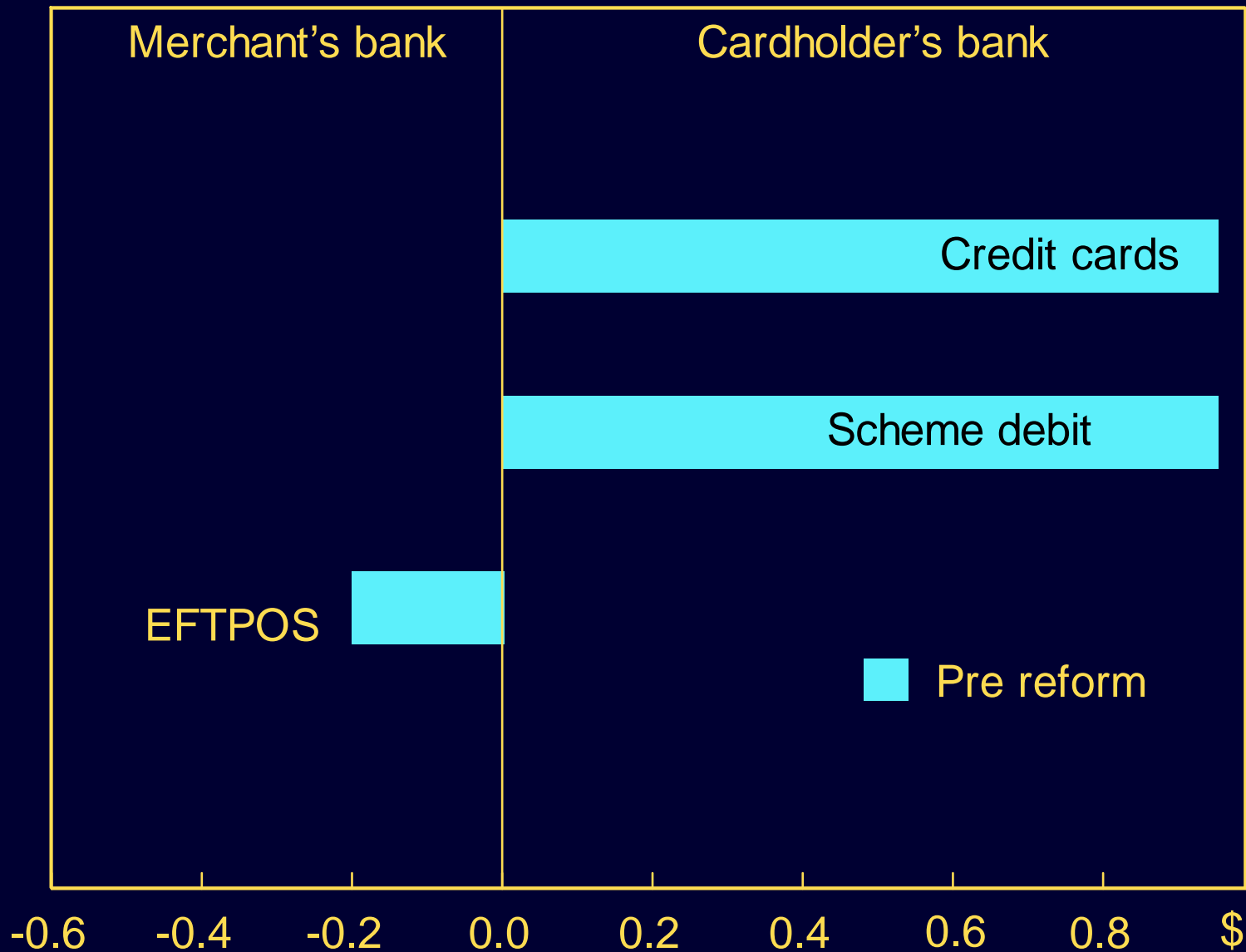
- Recap of reforms
- The Review
- Preliminary conclusions

Recap of Reforms

- Regulations on interchange fees

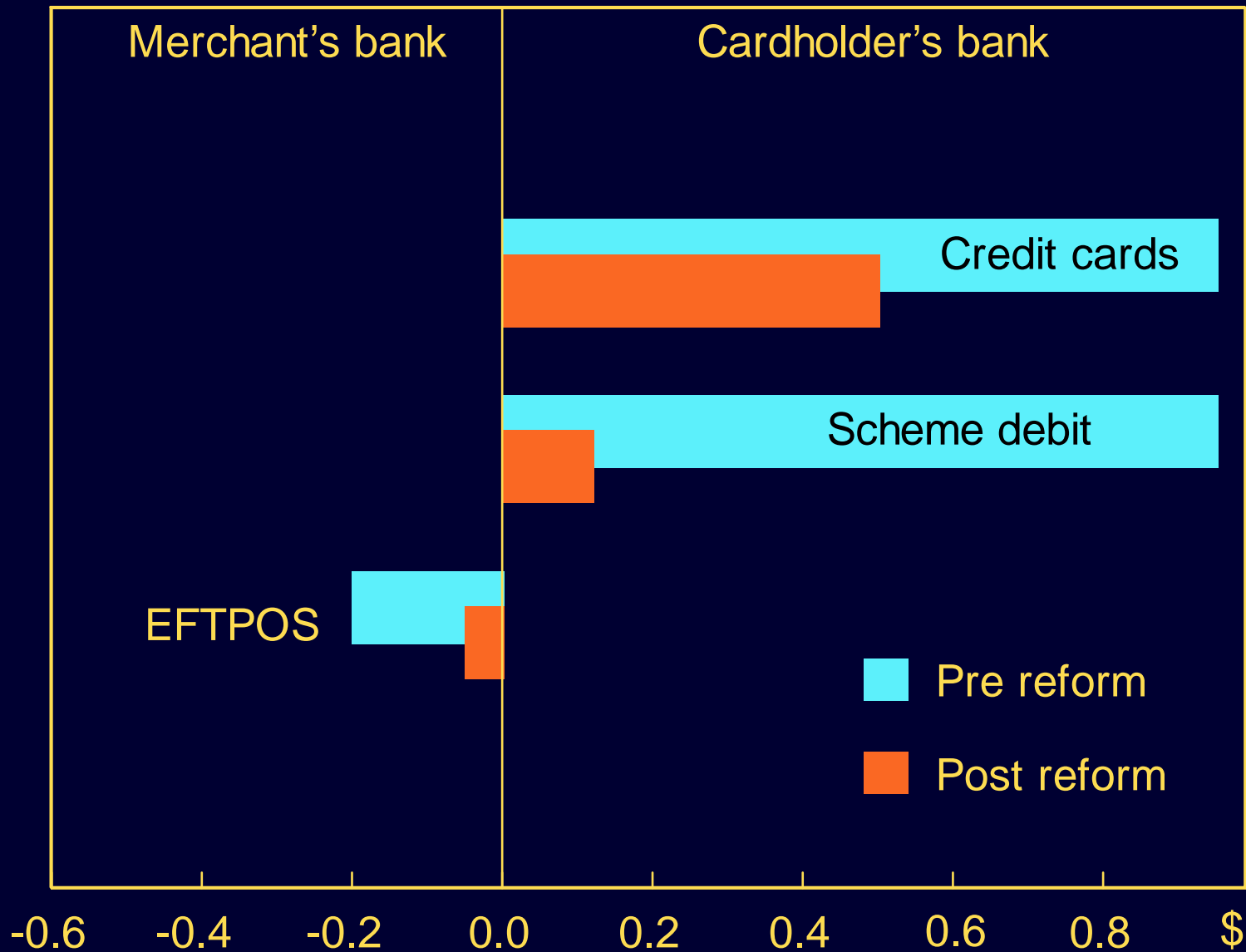
Interchange Fees on a \$100 Payment

Excluding GST



Interchange Fees on a \$100 Payment

Excluding GST



Source: RBA

Recap of Reforms

- Regulations on interchange fees
- Removal of restrictions
 - no-surcharge rule
 - honour-all-cards rule

Recap of Reforms

- Access
 - credit cards
 - EFTPOS

Recap of Reforms

□ Transparency

- interchange fees
- merchant service fee
- market shares
- access criteria

The Review

- ❑ Commitment made in August 2002
- ❑ Covered all the reforms to date
- ❑ Cost and use studies
- ❑ Conference November 2007

The Issues

- ❑ Competitive forces acting on interchange fees
- ❑ Continued close oversight necessary
- ❑ Key questions
 - improve competition further?
 - distortion too pervasive?

The Evidence

- ❑ Improved price signals
- ❑ Surcharging

Merchants Surcharging Credit Cards*

Per cent of surveyed merchants



* Very large merchants are those with turnover greater than \$340 million, large merchants \$20 million to \$340 million, small merchants \$5 million to \$20 million and very small merchants \$1 million to \$5 million.

Source: East & Partners Pty Ltd

The Evidence

- ❑ Improved price signals
- ❑ Surcharging
- ❑ Honour-all-cards modifications
- ❑ Average interchange fees

Preliminary Conclusions

- Reforms have met objectives
- Close oversight necessary
- Some reforms to remain in place
 - no-surcharge
 - honour-all-cards
 - access

Preliminary Conclusions

- ❑ Step back from interchange regulation?
- ❑ EFTPOS system
- ❑ Honour-all-cards
- ❑ Transparency of scheme fees

Recap

- ❑ Continued close oversight necessary
- ❑ Most reforms to remain in place
- ❑ Possibility of de-regulation of interchange
- ❑ Opportunity for industry to step forward

