

16 January 2014

Mr Tony Richards
Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
Sydney NSW 2001

By email: pysubmissions@rba.gov.au

Dear Tony

RE: PROPOSED VARIATION TO THE MASTERCARD AND VISA ACCESS REGIMES: CONSULTATION DOCUMENT

We refer to your media release dated 6 December 2013, announcing the Payments System Board's (PSB) initiation of a consultation on possible changes to the access arrangements for the MasterCard credit, Visa credit and Visa debit systems and the invitation to make a submission outlining our feedback on these proposed changes.

Of the three options for reform proposed in the consultation document, we note the Bank's stated preference for Option 2, namely removing the APRA SCCI regime but retaining some controls via the Access Regime. Of the three options available, we consider Option 2 to be the more prudent and sensible option and would support the Bank's proposed change.

While we understand the reasons for removing APRA's SCCI regime, we still have some concerns with placing the responsibility for assessing eligibility on the Schemes. As outlined in our letter on the subject of 11 July 2013, both MasterCard and Visa have now transformed from mutual organisations run by their members with a strong focus on member protection to publicly listed companies, which by their very nature, places a much greater focus on corporate profitability and return on investment that is not present to the same extent in a mutual organisation. The potential for a conflict between growth and profitability versus prudent risk management has increased with the increased focus on profitability/growth. If the Bank intends to outsource this responsibility to the Schemes then it is important to ensure this potential conflict of interest is appropriately managed.

We note that under Option 2 the Bank proposes to create a focus on risk management within the Schemes by imposing on them the need for transparent disclosure of their risk based criteria for determining eligibility and certify to the Bank annually these criteria have been met by any new eligible institution.

We accept the Schemes are not dishonest nor would they knowingly introduce risk into the payment system. However, it concerns us that the proposed changes to the Access Regime do not give any form of guidance on what minimum level of risk assessment would be deemed acceptable

in assessing the eligibility of a new institution seeking access. Without this the Schemes are free to set risk criteria at whatever level deemed appropriate and relevant to them to meet their objectives which include growing market share. Since the Schemes are unlikely to bear the costs associated with poor risk assessment, the potential exists for risk to be introduced into the payment system is counter to the objectives of the PSB and the Bank, specifically with respect to the stability and integrity of the system.

We believe maintaining integrity and stability in the payment system is fundamental and while the Bank (or APRA) may not be the ones to be the physical enforcer of these goals, it is important sufficient guidance is given to ensure the effectiveness of the governance applied by the Schemes does not weaken the Access Regime because of the retrospective nature of the oversight regime proposed by the Bank under the proposed changes to the Access Regime.

With this in mind, we would strongly encourage the Bank to consider adding to the Access Regime a minimum level of risk assessment criteria that is expected of the Schemes in assessing any new applicant for eligibility.

In conclusion, we thank you for the opportunity to comment on the consultation document and look forward to the opportunity to discuss our submission with the Bank. In the meantime, if you have any questions, please feel free to call me on 07 3258 4250.

Yours faithfully



Manuel Garcia
Chief Executive Officer