15 March 2002

Dr John Veale
Head of Payments Policy
Reserve Bank of Australia
65 Martin Place
Sydney NSW 2000

Dear Dr Veale

RESPONSE TO CONSULTATION DOCUMENT ON CREDIT CARD REFORM

Enclosed is the response from St.George Bank Limited to the Reserve Bank's Consultation Document entitled *Reform of Credit Card Schemes in Australia* of December 2001.

The document confirms our support for the process of reform. We have, however, significant concerns over certain aspects to the approach being suggested. As such, the document provides a rationale for our concerns and suggests some changes that we believe would reduce the risks and likely negative consequences of the proposed reforms.

We appreciate the opportunity to provide a response and would welcome a further discussion with you on the matters raised in our response.

Yours sincerely

Gail Kelly

SUBMISSION FROM

ST.GEORGE BANK LIMITED

TO THE

RESERVE BANK

OF AUSTRALIA

ON

CREDIT CARD REFORM

15 March 2002

1. Document Overview

This document provides a response from St.George Bank Limited ("St.George") to the Reserve Bank of Australia ("RBA") on the Consultation Document ("CD") entitled *Reform of Credit Card Schemes in Australia* of December 2001. Within this document, St.George provides specific comments and recommendations on the standards and access regime that are being proposed by the RBA following the VISA, Mastercard and Bankcard credit card systems being designated as payment systems under the Payment (Regulation) Systems Act 1998.

As stated in our previous submission to the RBA in July 2001, St.George is supportive of reform in the credit card payments system. There are however certain elements of the reform proposed in the CD that St.George believes should be re-considered. This is particularly so in the case of Standard Number 1, which relates to interchange fee setting, where very momentous reform is being suggested. If implemented, this regulation will leave the Australian open credit card payments network uncompetitive with domestic closed scheme issuers and place the Australian credit card industry in a position that is significantly different to international norms. The extreme nature of this reform magnifies the risks of serious negative implications. Therefore, St.George encourages the RBA to take a different approach to this reform and believes that a more moderate change can be justified on a solid basis of using the interchange rate to share relevant costs between credit card issuers and acquirers.

St.George is somewhat less concerned about the impact of the other standard and access regime proposals contained in the CD, however requests that the RBA consider the relevant comments and recommendations from the Bank that are detailed in this document.

2. Standard Number 1 – The Setting of Wholesale ("Interchange") Fees

Overall St.George does not agree that the introduction of this proposed standard would achieve the stated objectives of promoting efficiency and competition. Whilst St.George agrees in principle to move to a more objectively based and transparent interchange setting process, it believes that the basis on which the proposed changes have been made are incorrect and will lead to a sub-optimal outcome.

St.George believes there are problems with the robustness of the chosen methodology and the way in which this methodology is applied. This is discussed in detail below.

2.1 Chosen Methodology

Throughout the consultation period leading up to the publication of the CD several different interchange setting methodologies were presented to the RBA. It is clear that throughout this consultation period, there was no one methodology that the RBA could categorically support. In the CD, the RBA states *the economic literature on credit card networks is undeveloped compared to other branches of economics. Model results are highly sensitive to the assumptions made and, by focussing only on the choice between cash and credit cards, the models do not deal with the more general situation of competition between different payment networks."*

Given the uncertainty over the merits of any one particular methodology, it would have been expected that the RBA would treat any change in approach to the way in

which interchange rates are set with extreme caution and not move too far from the international norm at the risk of destabilising the payments system and placing the Australian system at odds with the international environment. The fact that the designation only enables the RBA to regulate a portion of the credit card industry should heighten the degree of caution taken in formulating the approach to this regulation.

In its previous submission St.George stated its belief that direct regulation of the interchange rate may not lead to an optimal outcome and that there were inherent dangers in explicitly regulating interchange. Further, if there was to be regulation, there may be methodologies other than purely cost based approaches that could be preferable from an efficiency perspective. However, if the industry was to move to a cost based methodology for interchange consistent with the RBA's principles, then St.George supported the banking industry's general submission that the avoidable cost methodology was to be preferred. By providing an upper and lower bound of efficient cost based interchange levels, the avoidable cost methodology has the key advantage of allowing for some flexibility in the way in which common costs are shared. In this way, differences in price elasticity of merchants and cardholders can be efficiently catered for as a way to share common costs in the interchange rate setting process.

However, rather than approaching the change in a cautious manner or accepting an established theoretical framework, the RBA has decided to propose a radical approach to determining interchange levels which precludes the inclusion of a large proportion of costs (as detailed below) typically accounted for in other cost based approaches to interchange rate setting. The result is that interchange rates would be set at an extreme low, well below the current level and even further below international averages.

2.1.1 Basis of the Reserve Bank's Chosen Methodology

Whilst the Reserve Bank does not explicitly state how they determined which costs should be eligibly included in the interchange rate calculation, principles (ii) and (iii) in the list of six principles adopted by the Reserve Bank in formulating their methodology would appear to form the basis for this determination. These two principles state that the methodology should:-

(ii) be based on the credit card payment services which are provided to merchants, and for which card issuers recover costs through interchange fees

(iii) exclude from its calculation costs that are not related to payment network considerations, and are therefore not relevant to interchange fee calculations

St.George contends that these principles do not form a robust framework on which to determine an interchange methodology for two reasons:-

1. The RBA has not provided any proof that the adoption of these principles leads to an efficient outcome. The justification is limited to a commentary that questions the basis of other approaches and suggests that regulatory intervention in some other regions is adopting similar cost based solutions.
2. Even if the principles were agreed to form a solid basis for setting interchange, there is no prescription within the principles as to how they should be interpreted. One could assume that "costs related to payment network

> considerations" includes any cost that the presence of a network saves the merchant by the merchant not having to provide their own deferred payment facilities. Such an interpretation is at odds with the RBA's assessment that only costs directly associated with the physical processing of the transaction between the issuer and acquirer should be included.

Hence, in the absence of any robust framework from which to determine which costs are eligible for inclusion in the interchange calculation, the choice of costs becomes purely a matter of interpreting the words from the set of principles the RBA has crafted. In St.George's view, this is not an appropriate framework from which to launch into an extreme position on regulating a selected slice of the cards payment system.

2.2 Definition of Eligible Cost

As stated above, the RBA has adopted a very narrow interpretation of what constitutes *"payment services provided to merchants."* St.George believes that there is good reason to widen this interpretation. Whilst our preference would be to agree on a more robust methodology on which to determine which costs should be included in the interchange calculation, we are reluctant to yet again propose a model for consideration given the widespread review of alternative models that the RBA has made in recent months. Rather, St.George would like consideration to be given to widening the definition of costs to be included in the interchange calculation so that there is a more even share of common and fixed costs between the merchant and cardholder. In principle, St.George asserts that under any methodology adopted, costs of features that provide benefit to both merchants and cardholders deserve to be considered for sharing. If not, the forced burden of costs onto one party has the potential to irreparably damage the workings of the network by not providing that party with enough incentive to participate.

On this basis, we have listed below some significant cost categories that St.George believes should be considered as appropriate to share between the merchant and cardholder. Significantly, it is not proposed that the burden of all the following costs be on the merchant. Rather, it is proposed that a mechanism be established to determine an appropriate method of sharing these costs so that a portion of them would be included in the interchange fee.

(i) The Buy Now Pay Later Feature

In the CD the RBA states that *"the provision of the interest free period is a matter exclusively between card issuers and their customers."* This assertion ignores however, the possibility that in the absence of the card scheme providing the interest free period, the merchant may have been forced to fund it themselves in order to make a sale. Prior to the establishment of ubiquitous card schemes, merchant provision of interest free periods through the maintenance of customer accounts was commonplace. Hence, if the card scheme is taking on a role that may otherwise be performed by the merchant, then it is appropriate that the cost of performing that role was part of the common costs to be shared between merchants and cardholders.

An extension of this argument would be that even if the merchant would not offer customers interest free terms in the absence of the scheme card, the availability of the buy now pay later feature allows the merchant to make sales they would otherwise not make. Given that individual merchants have been known to aggressively offer interest free periods on major purchases and that most merchants are willing to accept credit cards today despite the widespread availability of debit cards, there can be little dispute that the availability of the interest free period facilities benefit merchants. Again, unless the cost of this merchant benefit is shared, the merchant effectively "free rides" on the benefit.

Curiously, the RBA contends in the CD that unless credit cards lead to an overall permanent increase in aggregate consumption, then the benefit that any individual merchant receives is irrelevant for assessing the question of which costs should be considered for sharing. St.George does not agree that aggregate consumption would have to rise permanently to justify the inclusion of the interest free period in the interchange calculation. The RBA's proposition that there would have to be an across the board increase in consumption for it to be relevant for individual merchants to bear some cost, is analogous to stating that it is not efficient for individual merchants to pay for advertising as advertising expenditure does not in itself lead to an overall increase in consumption expenditure. Clearly, if an expense is being incurred for a feature that provides a benefit to both cardholders and merchants (even on an individual basis) then it should be considered as an expense to be shared between card holders and merchants.

St.George also questions the extent to which the RBA can be confident that credit cards do not lead to a permanent increase in aggregate consumption. The Reserve Bank's own commentary draws a direct link between household credit growth and aggregate consumption. In the November 2001 "Statement on Monetary Policy" the RBA states *"The strength in household borrowing reflects significant further expansion in both housing and personal credit and should support consumption expenditure."* Again in the February 2002 "Statement on Monetary Policy" a similar comment is made, *"Consumption spending has been supported by the high level of household assets and an expansion in debt."* If the provision of credit supports aggregate consumption expenditure as the RBA is suggesting, then it follows that the provision credit facilities to consumers provides a benefit to retailers through increased sales.

(ii) Customer Statements and Account Payment Process

It follows that if the merchant is receiving a benefit from a sale that is facilitated by the "buy now pay later" function, then the subsequent process of statementing the customer for payment and collecting the payment is a cost related to this benefit and should be shared. In any case, to the extent that providing customers with a frequent statement of all their transactions is one of the key forms of fraud detected on an account, then the process of statementing should be at least partially considered as a fraud management cost (which the RBA already includes as an eligible cost for interchange calculation).

(iii) Sunk Costs and Costs of Capital

It is acknowledged in the CD that *"card issuers have undertaken a substantial investment in the development of credit card networks and that they are entitled to a return, both on the capital currently committed and on past investments."* It is also stated that there *"would be logic in individual issuers seeking from merchants a return on the capital committed to providing payment services to merchants."* The RBA does not intend however that these costs should be built into the standard interchange cost because the hurdle rates of different issuers cannot be *"credibly averaged for inclusion in an interchange fee."* St.George does not agree that there is necessarily any difference between averaging the cost of capital and averaging expenses for the purpose of setting interchange rates. In the same manner that those with higher average operating costs will be disadvantaged by using an average cost to determine interchange, the institutions with higher capital return requirements will be discouraged from investing in the credit card system. This is entirely consistent with the principles of efficient capital allocation.

Additionally, the term "sunk" cost, by definition, implies a cost that has been made in the past and will never be repeated. However, given the evolving nature of the credit card market, there are continual requirements for re-investment in the industry. These infrastructure investment costs are not mentioned in the definition of eligible costs presumably because they are considered to be "sunk" in nature. It should also be mentioned that some costs could genuinely be considered "sunk" by a large established player but for a smaller growing participant the same costs represent future investments that need to be made.

Therefore St.George proposes that to the extent that sunk and capital costs are ongoing costs that card issuers will need to incur to provide benefit to both cardholders and merchants, then it follows that they should be included in the interchange cost calculation.

(iv) GST

Whilst not specifically mentioned in the draft standard, St.George believes that the inclusion of GST expenses incurred by card issuers as eligible costs would be consistent with the RBA's interpretation of its interchange principles.

(v) Scheme & Switching Costs

The draft standard provides for the inclusion of *"costs incurred in processing credit card transactions received from an acquirer that would not be incurred if the issuer was also the acquirer in those transactions."* St.George assumes that this definition would include transaction fees paid to schemes by the issuer. Given the magnitude of this cost element, St.George seeks some clarity as to the extent to which these costs would be included.

(vi) Chargeback Processing

The processing of chargebacks is an integral element of the credit card proposition. Often the need to process a chargeback is as a direct result of an error or non-delivery by a merchant. Fraud is another significant driver of chargeback activity. St.George believes that the inclusion of chargeback processing expenses in the interchange calculation is consistent with the principles set out by the RBA.

(vii) Card Production Costs

Clearly the card itself is an essential element of facilitating the transaction with the merchant and without the card neither the merchant nor the cardholder could benefit from the credit card facility. There is a positive relationship between the rate of usage of a card and the cost of supplying the card to the customer (due to card wear and tear) It is St.George's view that card production costs should be a component of the interchange calculation.

2.3 Consequences of Using the Proposed Methodology and Cost Definitions

Without the inclusion of the above cost categories in the interchange cost base, St.George believes that the interchange rate for open credit card schemes will be unreasonably low. This will have consequences in a number of areas that will seriously compromise the RBA's objectives of promoting efficiency and competition.

Provided below is a list of what St.George would consider to be the most serious negative consequences of the proposed interchange rate methodology:-

(i) Lack of Competitive Neutrality

With the changes to interchange rate methodology applying to only the open schemes, an inherent competitive advantage to store cards and other closed credit card schemes will result. There is no dispute that following a reduction in interchange, merchant service fees for open scheme cards will fall and this will place some competitive pressures on the closed scheme fees to fall as well. However, there will not be an equivalent reduction in closed scheme charges across all merchants due to the variances in bargaining power of merchants and variances in their price sensitivity. For some merchants, the marginal benefit in accepting closed scheme cards will continue to far outweigh the costs and they will have little inclination or bargaining power to bring about any change in closed scheme interchange pricing. Providing that closed schemes are able to maintain close to current merchant charges with at least some merchants, then they will have a competitive advantage over the open schemes.

This competitive advantage is likely to be used to grow closed schemes because it will 'fund' more attractive card issuing propositions. The more the closed schemes grow, the greater their bargaining power with merchants and hence the greater their ability to maintain and pursue favourable merchant charges. The RBA admits this potential exists when commenting about the competitiveness of the existing schemes, stating in the CD *"if a scheme dominates credit card payments or has a sufficiently strong card base, merchants will find it difficult to opt out of that scheme and scheme members would be able to set the interchange fee above the efficient level."*

There are numerous examples where regulation of one section of an industry has led to distorted and damaging outcomes. During the period in which Bank mortgage interest rates were capped by regulators in Australia, there was a massive swing in market share to Non Bank Financial Institutions (NBFIs). Rather than competitive forces pushing mortgage rates down to the level of the regulated rate, NBFIs were able to charge higher mortgage rates simply because Banks were unwilling to lend at the low capped rate. It is possible therefore that if credit card interchange rates are set at unreasonably low levels in the way Bank mortgage rates were in the early 1980s, then the supply of credit cards being issued under the open schemes will contract leaving the closed schemes with a market share benefit and an enhanced ability to charge higher rates to merchants.

If there is a swing in the payments patterns of consumers away from open schemes and towards less efficient payment mechanisms such as the closed schemes or cash, the overall efficiency of the payments system will reduce. Merchant costs and therefore prices will rise and the net effect on consumers will be negative.

(ii) Consumer Access to "Buy Now Pay Later" Benefits

The exclusion of the interest free period from the interchange calculation will mean that card issuers will either have to ration the availability of the feature or make consumers pay for the feature. In either case, the consumers who will miss out on the feature are likely to be those on low incomes. Consumers on low incomes probably have the most need for the buy now pay later feature as they are the ones who will not always have savings at their disposal when they make a purchase. The removal of this facility for at least some consumers, is not an efficient outcome if retailers were also receiving a benefit from the extension of the facility but have been precluded from sharing in the cost of it due to regulation.

(iii) A Lack of Infrastructure Growth and Improvement

If interchange fees are set at an unreasonably low level, the incentive for card issuers to invest in infrastructure improvements that will attract new cardholders and merchants will be diminished. Similarly, the attractiveness of the network for potential entrants and competitors is also diminished. This is particularly so if there is no compensation for infrastructure investments in the interchange calculation. There are currently three examples of where card issuers are considering funding infrastructure investments i.e. the introduction of PIN at point of sale, smart cards and a new arrangement to make on-line payments more secure. These developments provide benefit to merchants, but under the proposed standard would not represent eligible costs for interchange calculation. The exclusion of infrastructure investment costs in the interchange calculation would reduce the incentive for issuers to invest in improvements and hence stunt the progress of innovation and development of the payment networks. This would have negative implications for efficiency and the international competitiveness of Australia's payment systems generally.

It should also be noted that smaller issuers and new issuers would be particularly disadvantaged by the exclusion of infrastructure investment from the interchange calculation. Whilst a large established institution may have made their major investments in their card infrastructure some time ago, they could perhaps continue to survive in a low interchange regime as they may be effectively "cash flow" positive.

Smaller participants who are yet to make the necessary investments to build economies of scale, however, may not be able to justify investing and participating in a scheme whereby the costs of investments leading to common benefits between card holders and merchants are not allowed to be shared.

(iv) An Unhealthy Level of Market Power for Large Retailers

Large retailers have a strong position in the Australian retail industry today. It is also true that many large retailers are active issuers of store cards. The ability to perform both the retail transaction and control the payment vehicle for a customer's transaction could be very powerful for a retailer. Quite apart from the ease in which the retailer would be able to gather information about a customer's purchase behaviour, the more a customer comes to rely on a payment vehicle provided by one retailer, the more inclined they would be to use that retailer. The fact that retailers obtain benefits to issue store cards in excess of fees or interest they earn on the actual card itself, implies that regulators should be extremely cautious about regulating open and ubiquitous schemes in a way that may impact on their competitiveness with closed store cards. The ability of the larger retailers to surcharge on open scheme card transactions (and not do likewise on their own cards) adds to the prospect of declining competitiveness of open scheme cards.

St.George contends that because the draft interchange standard will set interchange at an unreasonably low level, there will be substitution of ubiquitous cards with store cards. Further, the decline in share of ubiquitous cards will make it harder for smaller merchants to compete as they are often not in a position to be able to efficiently provide their own in store credit facilities.

2.4 Principles of Transparency & Objectivity

As stated in its previous submission, St.George welcomes the proposed increase in transparency and objectivity in the interchange rate setting process. It agrees with the RBA's position that these are necessary elements to ensure efficiency in the rate setting process moving forward.

St.George does not agree, however, that the principle of transparency needs to extend to the public publishing of aggregate cost data. It should be sufficient from an efficiency view perspective that the methodology is publicly known and that an independent party has ensured that the rate is set in line with this methodology. The publishing of elements of the cost data could place participants in open schemes at a disadvantage to closed schemes, which would have the benefit of being able to accurately model the cost dynamics of their major competitors.

2.5 Implementation Timing

The CD states that *"the interchange of a scheme must be calculated and published in accordance with this standard within 3 months after this standard comes into force."* It is assumed that the intent of this statement is also that the actual interchange rate paid by acquirers to issuers must be consistent with the rate calculated and published at the time it is published.

St.George encourages the regulators to re-assess the 3-month implementation window as specified in the draft standard. Provided below is an outline of the events that must take place once the details of the standard are known. It can be seen that it would appear reasonable that a considerably longer time frame be made available in order to effect the proposed fundamental changes to interchange. Under the proposed changes, it is not just the interchange rate that is changing. There is potentially a shift in the method of calculation to include some element of flat rate per transaction pricing as well as the introduction of new pricing categories for interchange i.e. the guaranteed vs non-guaranteed transactions.

Table 2.1 Illustrative Timetable of Events to Change Interchange Rates

Month 0	Details of Interchange Standard Announced
Month 1	Clarification of eligible cost elements & Commencement of System Changes
Month 2	Appointment of Independent Expert
Month 3	Commencement of Data Collection
Month 5	Completion of Data Collection
Month 6	Data Modelling Complete with Rates Available & System Changes Available for Testing
Month 7	System Changes Tested & Issuer/Acquirer Pricing Reviewed
Month 8	Issuers/Acquirers Provide 30 days notice of Changes in Product Pricing
Month 9	New Interchange rate set and Product Pricing Changes Implemented

Hence based on the above illustrative outline of required events, St.George considers that a 9-month implementation window from the time the standard is finalised would be a minimum. However, if the complexity of interchange were to increase a whole new merchant system would likely be required and it would take at least 12 months to source a new system from overseas and to implement it.

Further, it is proposed that if the average change in interchange levels is any more than 0.1%, then it would be prudent to phase in the changes in rates, as has been implemented in Europe for inter country Visa interchange rates. This would have the advantage of providing a more orderly adjustment to participants' income and expense positions and allow time for those participants needing to make fundamental changes to their business. Without the phase in provision, there is a risk of instability in the payment system, given the magnitude of the changes being proposed.

3. Standard Number 2 – Merchant Pricing for Credit Card Purchases

In our previous submission St.George did not support the introduction of surcharging on credit card transactions and remains of the view that was expressed in that submission as summarised below:-

> Overall, St.George believes there are rational arguments for and against the introduction of surcharging for credit card transactions. However, in light of the small difference in cost (if any) that credit card acceptance has for merchants over other payment forms and the likely low take up of the use of the surcharge, it is believed that the proposed benefits of introducing surcharging are minimal. It is suggested that the arguments against surcharging present material risks to the overall payment systems even if the introduction of surcharging is conducted by a relatively small number of merchants. Surcharge prohibitions are essentially a form of consumer protection and we would encourage the Reserve Bank to weigh up the advantages and disadvantages of its removal.

The RBA seems to overlook the fact that merchants are free today to discount prices if consumers use a form of payment other than credit cards and interestingly very few do so. So there is little to be gained from the introduction of surcharging and much to be lost for consumers if they can no longer rely on the price stated on goods to indicate what they will have to pay at the checkout.

However, if surcharging goes ahead, St.George recommends that the following two adjustments be made to the way in which the abolition of the no surcharge rule is introduced:-

1. Any change should be delayed until the closed card schemes have also enacted the removal of their no surcharge rule. If this is not the case, there will be a lack of competitive neutrality whereby merchants would be free to charge a higher price to an open scheme cardholder but not have that same freedom to surcharge a closed card scheme holder. Closed schemes would also then be in a position to promote the lack of a surcharge as a cardholder benefit.

2. Schemes should retain the ability to explicitly limit the size of any surcharge to the merchant service fee paid. Currently the draft standard states *"a participant in a Scheme must not prevent a merchant in Australia from recovering from a credit cardholder the cost to the merchant of accepting a credit card issued by a participant in the scheme."* As the standard contains no definitions around what the merchant costs may be, it would appear that the merchant is free to use any methodology of their choosing to determine the surcharge. For example a merchant may choose to add in the floor space cost of their cash register area or the staff cost in making a sale. It is therefore possible that excessive and discriminatory surcharging could take place as a result of this standard. The motivation for such practices could include the fact that a merchant may offer its own in-store credit card or alternatively a merchant may find that a credit card holder has a lower than average price elasticity, particularly after they have already made a decision to purchase. It is therefore recommended that the standard explicitly allow schemes to limit the maximum size of any surcharge to the merchant service fee being paid.

   Alternatively, schemes could place a cap on the size of the surcharge which limits the amount to a "reasonable" maximum of the incremental cost that a credit card transaction may have over other payment mechanisms. Another option is possibly to place the burden of proof on merchants that surcharge so that they must justify with cost data the relative cost of accepting credit cards versus other forms of payment. Perhaps the schemes should require merchants who want to surcharge to have to apply for the right and to supply verifiable data to support their claim. To do less would not guarantee an efficient outcome.

St.George considers the above two changes to the proposed standard as critical to the integrity and objectives of the standard as it related to competition and efficiency.

4. Access Regime for Designated Credit Card Schemes

The principles of the changes proposed in the CD are consistent with those supported by St.George in its previous submission. St.George is therefore supportive of the principles of the draft regime to the extent that they encourage open participation. However it is noted that there is a lack of detail available on how potential participants will be assessed by APRA. Until this detail is available St.George is not able to categorically state its support of the proposed access regime. It is assumed that the eligibility of any appropriately supervised institution to participate in the schemes does not extend, necessarily, to a sharing of scheme ownership or voting entitlements.

However, the concept of self-acquiring needs careful consideration. The acquirer has a supervisory duty over the merchant. If the acquirer and merchant become one and the same there is a blurring of responsibilities. These scheme organizations are not structured or resourced to supervise individual merchants as this is the job of the acquirer so self-acquiring would bring risk to a payment scheme. The economic and commercial rationale for permitting self-acquiring has not been articulated satisfactorily.

St.George particularly welcomes the removal of any "net issuer" fees able to be charged by schemes as St.George believes this practice currently potentially reduces competition between the schemes by encouraging institutions to have a balance of cards on issue across schemes in order to avoid the fees imposed. Penalties for acquiring success could also have the effect of dampening competition in acquiring and/or put new entrants at a disadvantage.

5. Summary

This document highlights that there is some common ground between St.George's views and the principles adopted in the RBA's proposed standards and access regime. However, we strongly request that the RBA consider our recommendations in relation to the standards as documented above. If these standards are not altered, it is our belief that due to the extreme nature of some elements of the proposed regulation there may be serious negative consequences for consumers, the industry participants and the payments system as a whole.