

8 May 2008

Ms Michele Bullock
Head of Payments Policy
Reserve Bank of Australia
GPO Box 3947
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Dear Michele

ATM Reform: Progress Report 3 – May 2008

The purpose of this letter is to provide the RBA with a quarterly progress report on the development of the ATM Access Code and implementation of the direct charging reforms, ahead of the Payments Systems Board (PSB) meeting on 16 May 2008.

In the RBA's media release of 31 August 2007, the PSB asked both APCA and the ABA to provide quarterly progress reports. As such, a joint progress report from both APCA and the ABA was prepared in November 2007. However given that APCA has had carriage of the elements of the reforms progressed this quarter, this progress report has not been prepared with the ABA, although we have provided them with a copy of this letter.

We report as follows:

Access Code Development

- 1 Draft #2 of the ATM Access Code and Draft #1 of the Constitution of the Access Company, which will be established to administer the ATM Access Code (Code Documents), were provided to industry participants on 20 March 2008. The Code Documents were provided to the RBA on 3 April 2008.
- 2 The Code Documents are still a work in progress and further revisions will be made to them before they can be adopted by the initial members of the Access Company. At this point, we anticipate that at least 2 further drafts of Code Documents will be required before they are ready for adoption by the initial members of the Access Company.
- 3 In our last progress report we stated that public exposure drafts of the Code Documents would be released in March 2008. We have put on hold, for the time being, our plans to release public exposure drafts. The main reason for this is that the industry has not yet settled on its preferred means of ensuring compliance with the *Trade Practices Act* (TPA).
- 4 The resolution of this issue will affect the content of the Code Documents and, as you know, some of the options for resolving it require a public consultation process by the RBA or ACCC. If either agency is to undertake public consultation it would make sense for us to release public exposure drafts of the Code Documents (which reflect the means of ensuring compliance with the TPA) as part of that process.
- 5 The likely initial members of the Access Company (that is, those institutions that will be bound by the ATM Access Code as Access Providers) met to consider compliance with the TPA and connection charges on 2 May 2008. Whilst these issues are not yet resolved, we expect to be in a position to have further discussions with the RBA on these matters shortly.

Business Rules and Technical Specification

- 6 As stated in our last report the Business Rules and Technical Specification have been completed and can now be codified in amendments to the CECS Manual. An initial draft of the proposed CECS Manual amendments has been reviewed by industry participants.
- 7 It is possible that further work on the applicability of GST to a direct charge fee will require a small change to the Technical Specification. We hope to resolve this issue shortly.

Industry Project Plan and Testing

- 8 Given the challenge posed by the 3 March 2009 implementation date, it is important to develop an Industry Project Plan that identifies a series of industry wide developmental milestones. We hope to have completed this plan shortly, which is being developed in consultation with participant project managers. One complicating factor is that there is likely to be some variation between participants with respect to the developmental milestones along the way to 3 March 2009.
- 9 We will also be coordinating an industry testing program which will provide testing timeframes, schedules, allocated test partners, standard test cases and scripts with expected results.

Transition Arrangements

- 10 Participants have agreed to move from the current environment to direct charging on a single day, 3 March 2009, rather than progressively, as ATMs have their software updated.
- 11 However, to accommodate those ATMs that cannot have their software updated remotely or ahead of time (approximately 2,500), there will be a transition period (probably 3 months) during which Acquirers will be allowed to direct charge at devices of this kind by:
 - (a) meeting the disclosure requirements via external signage; and
 - (b) having host systems insert the fee into the message that is sent to the Issuer.
- 12 We are currently working on the specifications for external signage to ensure prominence.

Public Communications

- 13 We are in the process of developing an industry communications plan, to explain the changes to customers and how their experience will change. A working group of industry communications specialists has been formed to assist us with this work. The third meeting of this group will be held in mid May.

Conclusion

- 14 Substantial progress has been made since the last report of 14 February 2008. Whilst there is still a great deal to be done, we continue to target and work toward an implementation date of 3 March 2009.

Yours sincerely



Chris Hamilton
CHIEF EXECUTIVE OFFICER

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