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1 September 2008

Mr Chris Hamilton
Chief Executive Officer
Australian Payments Clearing Association
Level 6
14 Martin Place
Sydney NSW 2000

Dear Chris

ATM REFORMS

As you know, the Payments System Board supports the reforms to the ATM system that the industry has agreed to implement in March 2009. Important elements of the reforms include: the establishment of an access code; the introduction of direct charging for ATM transactions; and the elimination of bilateral interchange fees paid between direct connectors.

Since the reforms were announced, the Reserve Bank has been approached by a number of parties seeking the Bank's view on whether the payment of an 'access fee' by an institution that was not a direct connector to a direct connector would breach the spirit of the reforms. The Bank is aware that a number of such arrangements currently exist, with these arrangements typically involving a small institution paying a fee to the operator of a large ATM network to provide its customers with access to that network.

In the Bank's view such arrangements can promote competition in the provision of transaction accounts and can be consistent with the intent of the reforms provided that they are not used to effectively replicate the current network of bilateral interchange fees. In particular, an arrangement under which an access fee is paid by an issuer (which is not a direct connector) to an ATM owner would be consistent with the spirit of the reforms provided that:

- the arrangement is one-way – that is, it provides the customers of one institution with access to ATMs operated by a second institution, but not the other way around; and

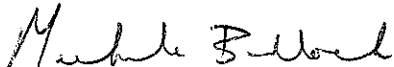
- an institution accessing another institution's ATMs in this way only has one such arrangement.

A direct connector could have in place multiple arrangements under which it receives a fee for providing one-way access to other institutions. It is worth noting, however, that the establishment of arrangements under which direct connectors pay this type of access fee would seem to be inconsistent with the spirit of the reforms.

To assist the Bank in monitoring market developments, I would ask that any arrangements to pay an access fee be reported to the Reserve Bank by the institutions involved.

Feel free to circulate this letter directly to your members; we will also publish it on the Reserve Bank's website (www.rba.gov.au). If you would like to discuss this matter further, please do not hesitate to contact me.

Yours sincerely



Michele Bullock
Head of Payments Policy