

Reserve Bank of Australia
Payment Systems (Regulation) Act 1998
Variation of Interchange Fee Standards

This notice is published in accordance with the requirements set out in Section 29(2)(a) of the *Payment Systems (Regulation) Act 1998* (the 'Act').

The Reserve Bank of Australia hereby varies the following interchange fee Standards: *The Setting of Wholesale ("Interchange") Fees in the Designated Credit Card Schemes*, gazetted on 27 April 2006; *The Setting of Interchange Fees in the Visa Debit Payment System*, gazetted on 7 July 2006; and *The Setting of Interchange Fees in the EFTPOS System*, gazetted on 27 April 2006, as described below.

I. The Setting of Wholesale ("Interchange") Fees in the Designated Credit Card Schemes

1. Paragraph 10

omit

paragraph 19

insert

paragraph 20

2. Paragraph 11

omit

paragraph 19

insert

paragraph 20

3. Paragraph 12(i)

substitute

(i) 1 November 2006 and 1 November of each third year thereafter; and

4. after paragraph 18

insert

19. The Reserve Bank of Australia may at any time, by notification on its website, waive or suspend the requirement to recalculate the cost-based measure and the common cost-based benchmark, in which case the common cost-based benchmark in force at that time will continue to apply.

5. Paragraphs 19, 20 and 21

renumber as paragraphs 20, 21 and 22

II. The Setting of Interchange Fees in the Visa Debit Payment System

1. Paragraph 11(i)

substitute

(i) 1 November 2006 and 1 November of each third year thereafter; and

2. after paragraph 17

insert

18. The Reserve Bank of Australia may at any time, by notification on its website, waive or suspend the requirement to re-calculate the benchmark, in which case the benchmark in force at that time will continue to apply.

3. Paragraphs 18 and 19

renumber as paragraphs 19 and 20

III. The Setting of Interchange Fees in the EFTPOS System

1. Paragraph 15

after

relevant year, and

insert

, subject to paragraph 19,

2. after paragraph 18

insert

19. The Reserve Bank of Australia may at any time, by notification on its website, waive or suspend the requirement to re-calculate the benchmark, in which case the benchmark in force at that time will continue to apply.

3. Paragraphs 19 and 20

renumber as paragraphs 20 and 21

Purpose and effect of variation of the interchange fee standards

Each of the three interchange fee Standards made by the Reserve Bank of Australia under Section 18 of the Act requires interchange fees to be set with reference to a benchmark, determined as follows:

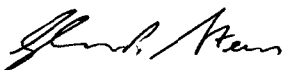
- for the Standard for designated credit card schemes, the benchmark is calculated by the Reserve Bank from a survey of costs undertaken by nominated scheme participants;
- for the Standard for the Visa Debit system, the benchmark is calculated by the Reserve Bank from data collected under the interchange fee Standard for the designated credit card schemes; and,
- for the Standard for the EFTPOS system, the benchmark is calculated by the Reserve Bank from data provided by nominated EFTPOS acquirers.

In each case, the collection of cost data on which the benchmark is based was last undertaken in 2006. The Standards currently require updated cost studies to be undertaken every three years. A number of financial institutions have indicated to the Reserve Bank that the cost of compliance with these obligations is material. Given the possibility of a change to the regulatory environment in 2009, the industry will not be required to proceed with new cost studies at this time. The Reserve Bank is therefore varying the three interchange fee Standards to allow it to waive or suspend the obligation of participants to undertake cost studies and for the Reserve Bank to recalculate the respective benchmarks. Where the Reserve Bank decides to take this action, the benchmarks in existence at that time will continue to apply.

In order to ensure that the above changes do not affect existing obligations in relation to the level of interchange fees, the Reserve Bank is also varying the Standards for the designated credit card schemes and the Visa Debit system to clarify that the weighted average of interchange fees must still be below the benchmark on 1 November every third year, even if the benchmark is not recalculated.

The Reserve Bank considers that these variations are of a minor technical nature; they will reduce compliance costs but do not alter the fundamental purpose of the Standards.

Signed



Glenn Stevens
Governor
Reserve Bank of Australia

8 December 2008