



Retail Products Deposits

14/530 Collins Street
Melbourne, VIC 3000
Phone 03 8673 7079
Fax 03 8673 708
www.anz.com
mandy.simpson@anz.com

16 January, 2009

Ms Michele Bullock
Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
Sydney NSW 2001

Dear Ms Bullock

RE: ATM Payments System Reform – Access Regime

Thank you for the opportunity to provide our views on the draft ATM Access Regime and future reform to systems architecture.

Designation of the ATM payments system

ANZ recognises that it was necessary for the Reserve Bank of Australia (RBA) to designate the ATM payments system in order to provide timely legal certainty for the implementation of ATM direct charging for foreign ATM transactions in Australia.

We note that the RBA will implement an Access Regime to facilitate the implementation of ATM direct charging, supported by an Access Code being developed by the industry through the Australian Payments Clearing Association (APCA). ANZ would also like to note the close working relationship that has existed between the industry (through APCA) and the RBA in the development of the ATM direct charging model.

Setting interchange fees to zero

ANZ supports a Regime that would set the existing bilateral interchange fees to zero, except under the particular circumstances included in the Regime such as within sub-networks and small financial institutions' bespoke agreements. Further, one of the reasons for designation is that participants needed to agree to set the price of interchange to zero in order to adopt direct charging. However, the language used in the draft Regime states "no interchange fee will be paid." To ensure consistency between the stated objectives in the consultation paper and the Regime document, the Regime should be amended to state something along the lines that "interchange fees will be set to zero". This has the practical effect that no interchange fees will be paid, while ensuring maximum flexibility, should this be necessary, to advance ATM payment system reform.

Direct clearing or settlement arrangements

The Access Regime does not permit access providers to charge access seekers to establish direct clearing/settlement arrangements. ANZ is of the view that access providers will incur substantial costs to establish a direct clearing/settlement arrangement and should be able to recover their costs.



Direct connection fee cap

The draft Access Regime caps the fee that existing institutions can charge new entrants for establishing the necessary direct connections at \$76,700. This was the lowest cost for connection reported by APCA members in the APCA 2008 Costs Survey. We note, however, that the real cost for ANZ to provide direct connection is considerably higher than this cap and that the Draft Regime's methodology means that all, except one, of existing participants will subsidise ATM direct connection for new entrants. ANZ would prefer an alternative methodology whereby connection fee costs were determined based on an average cost of existing participants.

ATM transaction fees

ATM direct charging for foreign ATM transactions will have the effect of unbundling existing ATM fees that consist of, among other things, a fee to the ATM owner and a fee by the customer's financial institution for processing the transaction. While ATM direct charging by the ATM owner removes the need for a customer's card issuer to recover an interchange fee, there remains the cost of processing the transaction. Under the direct charging model to be adopted in Australia, it is ANZ's view that a reasonable issuer fee may also be charged.

Access Code

ANZ will respond directly to APCA's consultation on the Access Code.

Future reform

ANZ understands the RBA's concerns about the current bilateral nature of the ATM and EFTPOS systems. We agree that the upgrade of technology over the next few years provides an opportunity to more fundamentally reform the architecture of these payment systems.

ANZ is participating in APCA's Low Value Payments Network Arrangement Project which, when implemented, will allow a single point of access for participants in these payment systems and reduce the complexity of the current access arrangements.

In December 2008, APCA Board decided to establish an industry COIN to replace legacy infrastructure. APCA also published *Low Value Payments - An Australian Roadmap*, which indicated that the new arrangements should be in place in 2010. We expect the project to implement the new infrastructure to be substantially progressed by March 2010.

We look forward to an opportunity to elaborate on these views in due course.

Regards

Mandy Simpson
General Manager
Deposits
ANZ