



MEDIA RELEASE

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VISA DEBIT CARD DISCUSSION PAPER RELEASED

Credit unions, building societies, St George Bank and Bendigo Bank have jointly released a discussion paper on the Visa Debit card in response to concerns expressed by the Reserve Bank of Australia (RBA).

Visa Debit in Australia is a unique product that combines aspects of a typical debit card and of a typical credit card.

The RBA's focus is on "interchange fees" - wholesale fees paid between financial institutions. The RBA's October 2000 Joint Study on *Debit and Credit Card Schemes in Australia* commented that Visa Debit card issuers are being "overcompensated" by interchange fees for signature based transactions using a Visa Debit card.

These interchange fees are ultimately paid by merchants, unlike EFTPOS and ATM interchange fees which are ultimately paid by cardholders.

Credit unions, building societies, St George Bank and Bendigo Bank – the major issuers of Visa Debit cards – propose to review Visa Debit interchange, but reinforce that it must be conducted at the same time as a review of EFTPOS interchange arrangements.

These institutions have advised the RBA that they are ready to prepare for a voluntary review that respects the following principles:

- Visa Debit is a unique card product that requires its own assessment of interchange consistent with other card-based payment products;
- a review of Visa Debit interchange can not be conducted in isolation of the overall review of interchange arrangements of all card products, including credit cards and EFTPOS;
- a review of Visa Debit interchange fees must be based on an interchange cost methodology that is supported by sound economic principles and consistently applied across all card-based payment products;
- a review of Visa Debit must take into account potential impact on all constituents, including the smaller institutions that issue this product and cardholders; and
- a transition period is required to avoid unnecessary and undue economic hardship to the financial institutions and, in many cases, the customers that are their owners.

The Visa Debit card (also referred to as the Visa Payment card) was introduced into Australia in 1982. Building societies¹ and credit unions were early adopters of the Visa Debit card.

The Visa Debit card was an important means for smaller institutions to overcome the competitive and regulatory obstacles they faced in the 1970s and 1980s.

Although the retail banking market has changed considerably since then, the benefits of the Visa Debit card to cardholders and merchants are as relevant today as in 1982. In fact, as technology has delivered new access channels for merchants such as the Internet, the value of the product has grown.

The number of Visa Debit cards has increased over the past few years to achieve a total of approximately 2.7 million cards in late 2000, but they only represent approximately 6% of the combined dollar amount of spend conducted via debit and credit cards in Australia.

Together, Australia's credit unions, building societies, St George Bank, and Bendigo Bank have around 7.5 million customers and 1.9 million Visa Debit cards.

The discussion paper can be downloaded from www.cu.net.au and www.aapbs.com.au

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¹ St George Bank was a building society until 1992. Bendigo Bank was a building society until 1995.