

EXPLANATORY NOTES FOR FINANCIAL INSTITUTIONS

***** PLEASE DISTRIBUTE THIS PAGE TO ALL PERSONS COMPLETING TEMPLATES*****

GENERAL GUIDELINES

This section provides general guidance that is relevant for completing ALL costs templates for financial institutions.

- **Sectoral classification:** for the Account Set-up, Overheads and Maintenance template, please report costs and transaction numbers associated with *personal* accounts only (i.e. excluding business/commercial accounts). For other templates, please report costs and transaction numbers/values associated with *all* types of accounts. It is important that a consistent sectoral classification approach is used WITHIN each template when specifying cost and transaction information (so that when, for each template, we calculate average cost per transaction we are dividing costs by the transactions to which they relate).
- **Reporting period:** please report data for your institution's most recent annual reporting period (and record what period this is). Where this is not possible, please indicate what period your data represent.
- **Scope:** please report data relating to domestic transactions only. Where this is not possible, please indicate where cost and transaction data include foreign transactions (i.e. credit cards).
- **Total costs and fees:** where possible, please complete *all* cost sub-categories in the templates. If the costs within some sub-categories cannot be completed, please record the total costs of a payment-related activity AND ensure that any sub-categories for fees and charges (e.g. to financial institutions and third parties) are also completed. In some cases, where resource costs are difficult to measure, we will use estimates based on prices paid for services, rather than measuring costs incurred by the service provider. Please also record whether any fees paid are inclusive or exclusive of GST.
- **Account set-up, overheads and maintenance:** all general costs associated with personal account set-up, overheads and maintenance should be recorded in the stand-alone costs template. A section of the template relates to those costs common to deposit/transaction accounts, and another section is for credit cards. This template will be used to apportion these costs across payment instruments.
- **Labour/employee costs:** employee costs should be broadly defined and include all wages, training, benefits and other costs. Report labour costs as part of the costs associated with each functional category.
- **Depreciation/amortisation and sunk costs:** please record costs of depreciation and amortisation over the reporting period. Please indicate where costs are 'lumpy' (e.g. for recent infrastructure costs). Where costs are lumpy over the reporting period, respondents may – **in addition** – provide estimates of more typical annual costs by averaging costs incurred over recent years (and attach a brief explanation of the reason for taking an average cost). Costs that have been fully written off (i.e. sunk) should be ignored.
- **Joint/common costs:** a number of the costs identified in the templates will be common to several payment instruments or activities (i.e. need to be apportioned to more than one payment instrument). Joint costs should be allocated using an appropriate activity-based cost driver. Please indicate how these costs have been allocated and the cost driver employed. Examples of cost drivers include the number or value of transactions for each payment instrument, the proportion of staff time spent on a particular activity, etc. We envisage that, in the bulk of cases, the appropriate cost driver will be number of transactions.

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- **Float and cost of capital:** please indicate how calculations have been made for any float costs and cost of capital.
- **Fixed and variable costs:** for each cost identified in the templates, please identify whether, over the sample period, it was *predominantly* fixed (i.e. invariant with the number and value of transactions), variable with the number of transactions (V^{TRN}), or variable with the value of a transaction (V^{VAL}). Please mark the appropriate column with an 'X'. If a cost was not *predominantly* one of these categories, please estimate the relevant proportions and make a note in the 'Comment' column (e.g. 40 per cent fixed, 30 per cent variable with the number of transactions and 30 per cent variable with the value of transactions).
- **Number and value of transactions:** within each costs template, there are areas to fill in the number and value of payments (and cash withdrawals where appropriate) for the relevant period. The extent of information required varies by payment type. Please ensure that the number/value of payments is consistent with the coverage of the associated costs information.
- **Double counting:** please ensure that costs and numbers/values of transactions are not double counted.
- **Comments:** If there is insufficient room in the template for comments or details explaining cost estimates please provide a separate word document.

TEMPLATE 1: ACCOUNT SET-UP, OVERHEADS AND MAINTENANCE

This section provides guidance on the categories to be completed for the costs of setting-up and maintaining 1) deposit/transaction accounts and 2) credit card accounts. For each of these, costs can be broken down into nine broad categories: 1) systems and IT, 2) product development and marketing, 3) application processing and set-up, 4) receipt and processing of electronic credits to accounts (excluding over-the-counter deposits), 5) internet banking, 6) phone banking, 7) statement production and distribution, 8) general customer service, and 9) general account management.

For this template, we ask that respondents identify costs associated with personal accounts only – i.e. excluding business and commercial accounts – and apply this consistently when providing data on costs and transaction numbers and values. We acknowledge that there may be challenges in isolating some costs and transactions associated with personal accounts rather than business accounts, particularly those for small businesses – our intent is mainly that large commercial accounts are excluded.

Cost Categories

Systems and IT (excluding internet and phone banking) includes all costs relating to the operation, development and maintenance of systems and IT which support account infrastructure in each of the following functional areas:

- Product development and marketing.
- Application processing and set-up.
- Receipt and processing of electronic credits to accounts (excluding over-the-counter cash and cheque deposits).
- Statement production and distribution.
- General customer service.
- General account management.
- Other general account infrastructure.

(Systems and IT costs relating to internet banking and phone banking are not captured here. They are captured separately below under internet banking and phone banking.)

Product development and marketing comprises two functions:

- **Product development:** this is the development of account products, including account design, development and launch. It excludes card design and specifications which are for fraud prevention or management.
- **Marketing:** this includes costs associated with the solicitation of prospective account holders and costs associated with encouraging existing account holders to remain customers or open further accounts. Costs may include:
 - Developing and implementing marketing programs for the deposit/transaction account or credit card account.
 - Developing, producing and distributing account marketing materials to target new account holders.
 - Payments to third party agencies assisting with account marketing activities.
 - Performance monitoring of account marketing programs.
 - Customer retention programs.
 - Repricing.

Application processing and set-up includes:

- Account application processing:
 - Reviewing applications.
 - Receiving and entering new account information into systems.
 - Storage of applications.
 - Processing enquiries relating to the state of applications still being processed.
 - Responding to new account holders with account documentation (excluding cards, PINs or cheques books).
 - Responding to rejected applications.
 - Screening applications for application fraud.

Please do not include any agency fees paid to third parties for the creation of bank accounts (e.g. Australia Post) or credit card accounts in this category. Please separately identify this in the 'Other (please specify)' section of the Account Set-up, Overheads and Maintenance template.

- Credit evaluation. This is only applicable to credit card accounts. It includes:
 - Purchasing pre-screened/pre-approved lists from credit agencies.
 - Conducting credit evaluations.
 - Setting credit limits.
 - Reviewing applications for changes in credit limits.
 - Responding to applications for changes in credit limits.
 - Responding to enquiries relating to the state of credit limit change applications still being processed.

Receipt and processing of electronic credits to account (excluding over-the-counter cash and cheque deposits) includes all costs (other than systems and IT costs) related to the receipt and processing of funds credited electronically to deposit/transaction and credit card accounts. Please exclude all cash and cheque deposits made over-the-counter at financial institutions or agencies (these are captured in the 'Cash' and 'Cheques' templates). Costs captured here include:

- The acceptance of electronic deposits including inter and intra financial institution transfers (excluding over-the-counter deposits).
- The posting of all deposits/credits to the account (excluding over-the-counter deposits).
- The posting of interest payments to deposit accounts (credits only).
- Reconciling deposits with the daily customer balances.

For credit cards this includes the receipt, processing and posting of cardholder payments to the cardholder's account.

Internet banking (including systems and IT) is a system of banking in which customers can obtain their account details, pay bills, transfer money, and perform other account related tasks by means of the internet. Costs captured here should include:

- Systems and IT costs specific to internet banking.
- Internet banking management costs.
- Other direct internet banking costs.

Please indicate where costs are ‘lumpy’ (e.g. for recent infrastructure costs). Where costs are lumpy over the reporting period, respondents may – **in addition** – provide estimates of more typical annual costs by averaging costs incurred over recent years (and attach a brief explanation of the reason for taking an average cost).

Phone banking (including systems and IT) is a system of banking in which customers can obtain their account details, pay bills, transfer money, and perform other account related tasks by means of the phone. Costs captured here should include:

- Systems and IT costs specific to phone banking.
- Phone banking management costs.
- Other direct phone banking costs.

Statement production and distribution is the generation and sending of statements to account holders. It includes:

- Producing and archiving statements.
- Stuffing envelopes (excluding the costs of inserting additional marketing materials into envelopes, which should be included under marketing in the Account Set-up, Overheads and Maintenance template or under cardholder reward programs in the Card Payments – Issuers template).
- Delivering statements.
- Managing address changes on returned statements.

General customer service includes all costs arising from the receipt and processing of account holder initiated enquiries and requests (other than those covered in other templates i.e. enquiries and requests that are specific to a payment instrument). (For example, voucher retrieval requests and chargeback processing are not included in this category as they are captured in the Card Payments - Issuer template under the Disputes category.) Where this is a joint cost, please apportion costs based on the proportion of staff time spent on each enquiry type (ideally) or the proportion of each enquiry type.

Enquiries and requests can be received via a number of different channels including telephone, fax, mail and email. Exclude enquiries made via ATMs. These are captured elsewhere.

Typical activities that are part of this category include:

- Name and address changes.
- Balance enquiries (excluding via ATM).
- Account fees and interest charge enquiries.
- Password changes for internet banking and phone banking.
- PIN changes (excluding via ATM).
- Account closure.
- Complaints related to the account (other than complaints related to a specific payment instrument).
- Transferring account holder enquiries to other departments and/or specialist response centres (e.g. fraud, credit assessment, credit collections, etc).
- Predictive information (non-statement) services that anticipate an account holder’s enquiries and respond with information before an enquiry is made (e.g. text messages that are sent to an account holder when they are near their credit limit).

- Other general account enquiries.

Costs that should be excluded from this category (and reported elsewhere) are:

- Costs associated with the reporting of lost and stolen cards (reported as part of the Fraud category in the Card Payments - Issuers template.)
- Costs associated with enquiries related to voucher retrieval requests and chargeback processing (reported as part of the Disputes category in the Card Payments - Issuers template).
- Costs associated with enquiries related to the state of account applications (reported as part of the Application Processing and Set-up category in the Account Set-up, Overheads and Maintenance template).
- Costs associated with enquiries related to the state of credit limit change applications (reported as part of the Application Processing and Set-up category in the Account Set-up, Overheads and Maintenance template).
- Costs associated with fraud enquiries (reported in the individual payment templates).
- Costs associated with disputed transactions (reported in the individual payment templates).
- Costs associated with credit assessment enquiries (reported as part of the Application Processing and Set-up category in the Account Set-up, Overheads and Maintenance template).
- Costs associated with credit collection enquiries (reported as part of the Credit Collections and Write-offs category in the Card Payments - Issuers template).

General account management includes the administrative and managerial activities involved in providing a deposit/transaction account business or a credit card account business. Activities may include:

- Deposit/transaction account services management and credit account services management.
- Strategic planning and development related to the deposit/transaction account products or credit account products.
- The preparation and dissemination of management information which is used as an input in management decisions related to account products.

Where these are joint costs, please apportion costs based on the proportion of staff time spent on each activity.

Other is a residual category. Please record and specify all other costs associated with general account infrastructure. This might include any general compliance costs (e.g. for anti-money laundering (AML)).

Please separately identify in this section any agency fees paid to third parties (e.g. Australia Post) for the creation of bank accounts or credit card accounts. Please do not include any other agency fees (e.g. those for cash withdrawals).

Transaction Number and Value Information (personal accounts only)**Number of CREDITS to personal deposit/transaction accounts**

Please report all credits to personal deposit/transaction accounts (e.g. funds deposited) during the reporting period in one of the following categories.

- *Cash deposits*: are all cash deposits into personal deposit/transaction accounts, excluding over-the-counter cash deposits at agencies (e.g. Australia Post).
- *Cheque deposits*: are all cheque deposits into personal deposit/transaction accounts, excluding over-the-counter cheque deposits at agencies. Where multiple cheques are deposited in a single transaction, please count each cheque separately.
- *Agency deposits*: are over-the-counter cash and cheque deposits into personal deposit/transaction accounts at agencies (e.g. Australia Post).
- *Direct entry deposits*: includes all direct credit and direct debit payments that credit (i.e. pay funds into) a personal deposit/transaction account. This section includes inter financial institution (i.e. between financial institutions) direct entry transactions initiated via phone and/or internet banking, excluding all BPAY transactions.
- *Other transfers (if any)*: includes all other transfers that credit a personal deposit/transaction account. This section includes intra financial institution (i.e. within the financial institution) transfers including transactions between the accounts of a single customer initiated via phone and/or internet banking, or an ATM.
- *Other*: is all other credits to personal deposit/transaction accounts. This section includes interest payments to the account holder.

Number of DEBITS to personal deposit/transaction accounts

Please report all debits to personal deposit/transaction accounts (e.g. funds withdrawn) during the reporting period in one of the following categories:

- *Cash withdrawals – over-the-counter*: are transactions to obtain cash over-the-counter at branches from personal deposit/transaction accounts. This section excludes over-the-counter transactions to obtain cash at agencies (e.g. Australia Post).
- *Cash withdrawals – ATM*: are transactions to obtain cash from personal accounts at ATMs using a debit card. This section excludes transactions using a credit or chargecard to obtain cash.
- *Cash withdrawals – other*: are transactions to obtain cash from personal accounts via means that are not captured in the previous two sections. This section includes over-the-counter transactions to obtain cash at agencies (e.g. Australia Post). This section excludes transactions using a credit or charge card to obtain cash.
- *EFTPOS – purchases only*: are transactions made using a proprietary debit card at a point-of-sale to obtain goods and services but not cash. This section also includes transactions conducted under fallback arrangements (if relevant). This section excludes scheme debit transactions.
- *EFTPOS – purchases and cash-out*: are transactions made using a proprietary debit card at a point-of-sale to obtain goods and services and cash. This section also includes transactions conducted under fallback arrangements (if relevant). This section excludes scheme debit transactions.

- *EFTPOS – cash-out only*: are transactions made using a proprietary debit card at a point-of-sale to obtain cash, but not goods and services. This section also includes transactions conducted under fallback arrangements (if relevant). This section excludes scheme debit transactions.
- *Scheme debit*: are transactions on personal deposit/transaction accounts using a scheme debit card. This section excludes EFTPOS transactions.
- *Cheques*: are payments made by a cheque from a personal deposit/transaction account.
- *BPAY*: are BPAY transactions from a personal deposit/transaction account. This section includes BPAY transactions that are initiated through phone banking or made on an internet website. This section excludes BPAY transactions using a credit card account.
- *Direct entry*: includes all direct credit and direct debit payments that debit (i.e. take funds out of) a personal deposit/transaction account. This section includes inter financial institution (i.e. between financial institutions) direct entry transactions initiated via phone and/or internet banking. This section excludes all BPAY transactions.
- *Other transfers (if any)*: includes all other transfers that debit a personal deposit/transaction account. This section includes intra financial institution (i.e. within the financial institution) transfers including transfers between the accounts of a single customer initiated via phone and/or internet banking, or an ATM. This section excludes all BPAY transactions.
- *Other*: is all other debits to personal deposit/transaction accounts. This section includes fees charged to the account holder.

Number of CREDITS to personal credit card accounts

Please report all credits to personal credit card accounts during the reporting period in one of the following categories:

- *Cash*: are all cash payments into personal credit card accounts, excluding over-the-counter cash payments at agencies.
- *Cheques*: are all cheque payments into personal credit card accounts, excluding over-the-counter cheque payments at agencies.
- *Agency*: are over-the-counter cash and cheque payments into personal credit card accounts at agencies (e.g. Australia Post).
- *Other transfers*: includes all other transfers that credit a personal credit card account. This section includes intra financial institution transfers including transactions between the accounts of a single customer initiated via phone and/or internet banking, or an ATM. This section excludes all BPAY transactions.
- *BPAY*: are all BPAY payments into personal credit card accounts.
- *Other*: is all other credits to personal credit card accounts.

Number of DEBITS to personal credit card accounts

Please report all debits to personal credit card accounts during the reporting period in one of the following categories.

- *Credit card purchases*: are all purchases using a personal credit card, *excluding* all BPAY credit card purchases and all ‘cash advances’.
- *Cash advances (where physical cash is received)*: are transactions using a personal credit card account to physically obtain cash. This includes ‘cash advances’ which physically provide cash

at financial institutions, at ATMs and at giroPost. This section *excludes* all transactions that may be treated as ‘cash advances’ which do not physically provide cash (e.g. an on-line transfer from credit card accounts). These are included in either ‘BPAY’ (below) or ‘Other transfers’ (below).

- *BPAY*: are BPAY payments from a personal credit card account. This section includes BPAY transactions that are initiated through phone banking or made on the internet to a merchant that accepts credit card purchases. This section also *includes* BPAY transactions that are ‘cash advances’ (that do not result in physically obtaining cash). This occurs when credit cards are used to make payments at merchants that do *not* accept BPAY credit card payments.
- *Other transfers*: are transfers from personal credit card accounts – using phone and/or internet banking, or an ATM – that are not included in any of the above categories. This section includes inter and intra financial institution transfers, including transactions between the accounts of a single customer. This section also includes ‘cash advances’ which are not included in either ‘Cash advances (where physical cash is received)’ or ‘BPAY’. This might include the purchase of travellers’ cheques, value loaded in a prepaid or stored-value card, tax payments, and some payments of utility bills over the counter at financial institutions and post offices.
- *Other*: all other debits to personal credit card accounts (e.g. fees and interest etc).

Number of personal accounts

- *Number of personal accounts at beginning of reporting period*: is the number of personal accounts held at the financial institution at the start of the reporting period. Please report (separately) both the number of personal deposit/transaction accounts and the number of personal credit card accounts.
- *Number of personal accounts at end of reporting period*: is the number of personal accounts held at the financial institution at the end of the reporting period. Please report (separately) both the number of personal deposit/transaction accounts and the number of personal credit card accounts.

Number of ACTIONS undertaken through internet banking

From personal deposit/transaction accounts

- *BPAY payments*: are all BPAY payments from personal deposit/transaction accounts undertaken through internet banking.
- *Direct credit payments*: are all direct credit payments from personal deposit/transaction accounts undertaken through internet banking.
- *Intrabank transfers*: are all intrabank transfers from personal deposit/transaction accounts undertaken through internet banking. This includes transfers to the customer’s other account(s) at the same financial institution.
- *Other payments (if any)*: are all other payments from personal deposit/transaction accounts undertaken through internet banking (please specify).
- *Balance enquiries (if available)*: balance enquiries from personal deposit/transaction accounts undertaken through internet banking.
- *Other non payment actions*: all other actions undertaken from personal deposit/transaction accounts undertaken through internet banking (please specify).

From personal credit card accounts

- *BPAY payments*: are all BPAY payments from personal credit card accounts undertaken through internet banking.
- *Direct credit payments*: are all direct credit payments from personal credit card accounts undertaken through internet banking.
- *Intrabank transfers*: are all intrabank transfers from personal credit card accounts undertaken through internet banking. This includes transfers to the customer's other account(s) at the same financial institution.
- *Other payments (if any)*: are all other payments from personal credit card accounts undertaken through internet banking (please specify).
- *Balance enquiries (if available)*: balance enquiries from personal credit card accounts undertaken through internet banking.
- *Other non payment actions*: all other actions undertaken from personal credit card accounts undertaken through internet banking (please specify).

Total logons to internet banking: the total number of logons by personal customers to internet banking. It is only necessary to report one figure for all personal accounts – the number of logons does not need to be split between deposit/transaction accounts and credit card accounts.

Number of ACTIONS undertaken through phone banking**From personal deposit/transaction accounts**

- *BPAY payments*: are all BPAY payments from personal deposit/transaction accounts undertaken through phone banking.
- *Direct credit payments*: are all direct credit payments from personal deposit/transaction accounts undertaken through phone banking.
- *Intrabank transfers*: are all intrabank transfers from personal deposit/transaction accounts undertaken through phone banking. This includes transfers to the customer's other account(s) at the same financial institution.
- *Other payments (if any)*: are all other payments from personal deposit/transaction accounts undertaken through phone banking (please specify).
- *Balance enquiries (if available)*: balance enquiries from personal deposit/transaction accounts undertaken through phone banking.
- *Other non payment actions*: all other actions undertaken from personal deposit/transaction accounts undertaken through phone banking (please specify).

From personal credit card accounts

- *BPAY payments*: are all BPAY payments from personal credit card accounts undertaken through phone banking.
- *Direct credit payments*: are all direct credit payments from personal credit card accounts undertaken through phone banking.
- *Intrabank transfers*: are all intrabank transfers from personal credit card accounts undertaken through phone banking. This includes transfers to the customer's other account(s) at the same financial institution.

- *Other payments (if any)*: are all other payments from personal credit card accounts undertaken through phone banking (please specify).
- *Balance enquiries (if available)*: balance enquiries from personal credit card accounts undertaken through phone banking.
- *Other non payment actions*: all other actions undertaken from personal credit card accounts undertaken through phone banking (please specify).

Total calls to phone banking: the total number of calls by personal customers to the phone banking service.

TEMPLATE 2: ATMS – OWNERS AND ACQUIRERS

This section provides guidance on the categories to be completed for the costs incurred by ATM owners and ATM acquirers. The costs for ATM owners can be broken down into 10 broad categories: 1) ATM owner centre management, 2) signing up new ATM sites, 3) cash handling and storage, 4) site rental, 5) float, 6) ATM owner equipment, 7) authorisation and transaction processing, 8) fraud and theft, 9) insurance, and 10) cost of capital. The costs for ATM acquirers can be broken down into 5 broad categories: 11) ATM acquirer centre management, 12) ATM acquirer equipment, 13) authorisation and transaction processing, 14) fees paid to ATM owners, and 15) cost of capital.

The ATM template covers ATM owner and ATM acquirer costs for both own and interchange transactions. This includes costs for: cash withdrawals (debit/ATM card cash withdrawals and credit card cash advances), balance enquiries and other ATM transactions.

Where the reporting institution does not acquire transactions for other ATM owners and acquires all transactions from the ATMs that it owns (i.e. the number of transactions from ATMs that it owns is the same as the number of transactions that it acquires) it may report the ATM owners and acquirers template on a consolidated basis (if this is convenient).

Costs to financial institutions on the issuing side from ATM transactions should be captured in the Card Payments – Issuers template.

Cost Categories***ATM OWNERS***

ATM owner centre management includes:

- ATM business management activities specific to the ownership of ATMs, including:
 - ATM ownership services management.
 - Strategic planning and development directly related to the ownership of ATMs.
 - The preparation and dissemination of management information which is used as an input in management decisions related to the ownership of ATMs.
- Marketing activities specific to ATM ownership.
- ATM product development specific to ATM ownership.

Signing up new ATM sites: this includes the costs of processing and evaluating ATM sites (e.g. in retail outlets) and any commission payments or bonuses to sales agents.

Cash handling and storage: this includes the costs of transporting cash to ATMs and stocking ATMs with cash (please do not double count ‘Cash handling’ costs with ‘Cash handling (incl. armoured trucks)’ in the Cash template).

Site rental: this includes explicit on-site rental costs (if any), and off-site rental costs (including any fees or rebates paid to the off-site premises by the ATM owner). Please report the explicit on-site and off-site rental costs separately. Where the explicit on-site rental costs do not represent the full opportunity cost of the ATM site space being utilised you may also calculate the implicit on-site rental costs. Please report the implicit on-site rental costs separately.

Float: this is the cost of interest foregone plus interest paid by independent ATM owners to financial institutions (i.e. interest on funds (cash) borrowed from financial institutions to load ATM machines) for cash in ATMs.

ATM owner equipment is the depreciation/amortisation of the ATM owner's equipment, systems and software. This includes depreciation/amortisation of:

1. *ATMs*. This includes:
 - ATMs: this includes both ATMs installed and inventory costs.
 - The delivery and installation of ATMs.
 - The servicing and maintenance of ATMs (including staff costs, transport to ATMs, replacement parts, device management, consumables i.e. receipt rolls, cleaning cards and cleaning kits).
 - Site owner education costs attributable to ATMs.
 - ATM help desk.
2. *Telecommunications*: these are the costs of line and data communications for ATM owners.
3. *Other* (please specify).

Authorisation and transaction processing: this includes all ATM owner costs incurred in authorising and processing ATM transactions from the point of receipt to the point of posting to the ATM owner's account. This includes:

- Any authorisation processing costs: this includes the cost of transaction capture, requesting authorisation and receiving authorisation responses.
- Transaction processing costs: this includes the costs of receiving, verifying, reconciling and settling transactions (i.e. clearing and settlement).

If the ATM owner pays fees to the acquirer for authorisation and transaction processing please report these separately.

Costs of authorisation and transaction processing on the issuers side should be recorded in the Card - Issuers template.

ATM acquirer costs of authorisation and transaction processing should be recorded in the 'ATM Acquirers' section below (under 'Authorisation and transaction processing').

Fraud and theft includes:

- Monitoring ATMs to protect against theft and fraud, and developing and maintaining systems and procedures for theft and fraud prevention and detection. This might include ATM security features (including security cameras, alarms and alarm systems) for fraud and theft prevention.
- Investigating, processing and following up suspected or actual cases of ATM theft and fraud.
- Dealing with external parties in matters related to ATM theft and fraud. This includes assisting investigators, assisting law enforcement authorities, and relevant legal action.
- The net amount written off as theft and fraud losses (after allowing for all recoveries except insurance claims).

Where some of these are joint costs, please apportion fraud costs based on the proportion of staff time spent on fraud relating to ATMs.

Insurance (net of claims): this includes any insurance costs (net of successful claims) for fraud and theft related solely to ATMs.

Cost of capital: is the institution's cost of capital allocated to ATM ownership. Please specify how this is calculated.

Other (please specify): include any fees specific to ATM ownership paid to third parties for ATM services not identified elsewhere (and whether these include GST). Please report disputes arising from ATM ownership (e.g. processing doubtful/disputed transaction arising from ATM ownership) in this section.

ATM ACQUIRERS

ATM acquirer centre management includes:

- ATM business management activities specific to the acquiring of ATM transactions, including:
 - ATM acquiring services management.
 - Strategic planning and development directly related to the acquiring of ATM transactions.
 - The preparation and dissemination of management information which is used as an input in management decisions related to the acquiring of ATM transactions.
- Marketing activities specific to ATM acquiring.
- ATM product development specific to the acquiring of ATM transactions.

ATM acquirer equipment is the depreciation/amortisation of the ATM acquirer's equipment, systems and software. This includes depreciation/amortisation of:

1. *Acquirer Equipment:* this includes the ATM acquirer's equipment, systems and software.
2. *Telecommunications:* these are the costs of line and data communications for ATM acquirers.
3. *Other* (please specify).

Authorisation and transaction processing: this includes all ATM acquirer costs incurred in authorising and processing ATM transactions from the point of receipt to the point of posting to the ATM owner's account. This includes:

- Any authorisation processing costs.
- Switching costs (ATM transactions only).
- Transaction processing costs: this includes the costs of receiving, verifying, reconciling and settling transactions (i.e. clearing and settlement), including advice to the National Collator.

Costs of authorisation and transaction processing incurred by the issuer should be recorded in the Card Payments – Issuers template.

ATM owner costs of authorisation and transaction processing should be recorded in the 'ATM Owners' section above (under 'Authorisation and transaction processing').

Fees paid to ATM owners: this includes fees paid (if any) to independent ATM owners (e.g. sharing of interchange fees (received by the acquirer) with independent ATM owners).

Cost of capital: is the institution's cost of capital allocated to ATM acquiring. Please specify how this is calculated.

Other (please specify): include any fees specific to ATM acquiring paid to third parties for ATM services not identified elsewhere (and whether these include GST). Please report APCA fees attributable to participation in the CECS system as an acquirer of ATM transactions in this section. Please indicate if the figure reported is inclusive or exclusive of GST. Please report disputes arising from ATM acquiring (e.g. processing doubtful/disputed transactions arising from ATM acquiring) in this section.

Transaction Number Information

ATM transactions where your institution is the ATM owner and the transaction acquirer: a transaction that is conducted over an ATM owned by the reporting institution and is acquired by the reporting institution.

ATM transactions where your institution is not the ATM owner but is the transaction acquirer: a transaction that is conducted over an ATM owned by a different owner than the reporting institution but is acquired by the reporting institution.

ATM transactions where your institution is the ATM owner but is not the transaction acquirer: a transaction that is conducted over an ATM owned by the reporting institution but is acquired by a different acquirer than the reporting institution.

Own: a transaction that is initiated by a card that is issued by the reporting institution.

Interchange: a transaction that is initiated by a card that is issued by a different issuer than the reporting institution.

TEMPLATE 3: CASH

This section provides guidance on the categories to be completed for the costs incurred by a financial institution due to cash withdrawals (other than ATM withdrawals which are captured in the 'ATMs – Owners and Acquirers' and 'Card Payments – Issuers' templates) and deposits. These costs can be broken down into three broad categories: 1) wholesale cash handling and storage, 2) branch/over-the-counter withdrawals and deposits, and 3) cost of capital.

Please indicate how joint/common costs have been allocated and the cost drivers employed.

Wholesale cash handling and storage (excl. ATMs) includes the costs incurred from storing cash and moving cash between branches, other banks, cash storage depots, National Note Processing and Distribution Centre Australia and merchants (please do not double count this information with that captured on cash handling in the 'ATMs – Owners and Acquirers' template). Costs captured here include:

1. *Cash handling (incl. armoured trucks)*: this is largely the cost of armoured truck services and staff for the wholesale handling of cash (excluding that for ATMs).
2. *Storage*: this is the depreciation or leasing costs for wholesale cash storage (please exclude storage costs related to ATMs where possible). This includes fees paid to armoured car companies for this service. This should not include costs related to branch network storage – these costs are captured in the 'Safes and storage' category under 'Branch/over-the-counter withdrawals and deposits'.
3. *Float*: this is the float cost of cash at the wholesale level, particularly of total verified cash holdings in ACC vaults net of reimbursements from the RBA.
4. *Fraud, theft and counterfeiting*: this is the cost to the institution of wholesale cash theft, fraud and counterfeiting. This includes:
 - Monitoring to protect against cash theft, fraud and counterfeiting, and developing and maintaining systems and procedures for the prevention and detection of cash theft, fraud and counterfeiting.
 - The cost of security guards and other security (e.g. depreciation or lease cost of security equipment).
 - Investigating, processing and following up suspected or actual cases of cash theft, fraud and counterfeiting.
 - Dealing with external parties in matters related to cash theft, fraud and counterfeiting. This includes assisting investigators, assisting law enforcement authorities, and relevant legal action.
 - The net amount written off as losses from cash theft, fraud and counterfeiting (after allowing for all recoveries except successful insurance claims).
5. *Insurance (net of claims)*: this is the cost of insurance (net of successful claims) that covers theft/losses in cash storage depots and during transit.
6. *Cash processing and fitness sorting*: this includes staff and equipment depreciation or lease costs. Please include fees paid to armoured car companies for this service.
7. *Other (please specify)*: other costs might include any staff administration costs associated with wholesale cash handling; stationery (e.g. money bags) used for transporting cash; audit costs; and industry association fees and costs. Please specify all other costs (including discrepancy fees to the RBA).

Branch/over-the-counter withdrawals and deposits are the costs attributable to cash withdrawals and deposits made over-the-counter (OTC) at branches or agencies (e.g. Australia Post). These costs include:

1. *Transaction processing*: these are the costs of processing an OTC withdrawal or deposit, and will include the cost of the teller's time, and the cost of support staff that assist telling staff (apportioned to cash withdrawals and deposits). The cost of other support staff might include such costs as the investigation of discrepancies and management involvement (such as transaction authorisation and internal cash controls). Where some of these are joint costs, please apportion costs based on the proportion of staff time related to cash withdrawals and deposits only.
2. *Rent*: this is the rental cost of counter space, apportioned to cash based on the proportion of over-the-counter transactions that are cash withdrawals and deposits.
3. *Float*: this is the interest foregone for cash in telling drawers and that required for cash transactions on a daily basis.
4. *Technology (equipment, systems & software)*: this includes all depreciation and lease costs for counter keypad terminals, teller computer terminals/screens/printers, note/coin sorting machines and other equipment (including software) used in the branch network. Some of these costs will be joint with other payment instruments. For example, the costs of computer equipment might be allocated based on the proportion of over-the-counter transactions that involve the withdrawal and deposit of cash.
5. *Safes and storage*: this is any depreciation cost of safes/lock boxes used to secure cash in branches, and any other depreciation or leasing costs for branch network storage. If safes/lock boxes/storage are used for purposes other than securing cash, their cost should be allocated appropriately, for example, based on the proportion of storage space used for cash (if predominantly used for cash, please allocate the total cost to cash).
6. *Fraud and theft*: this is the cost to the institution of cash theft and fraud in branches, including prevention and losses. This includes:
 - Monitoring to protect against cash theft and fraud, and developing and maintaining systems and procedures for the prevention and detection of cash theft and fraud.
 - All branch security costs designed to prevent cash theft (security guards, screens, etc).
 - Investigating, processing and following up suspected or actual cases of cash theft and fraud.
 - Dealing with external parties in matters related to cash theft and fraud. This includes assisting investigators, assisting law enforcement authorities, and relevant legal action.
 - The net amount written off as losses from cash theft and fraud (after allowing for all recoveries except insurance claims).

Where some of these are joint costs, please apportion fraud/theft costs based on the proportion of staff time spent on fraud relating to over-the-counter cash withdrawals and deposits.

7. *Insurance (net of claims)*: this includes any insurance costs (net of successful claims) for fraud and theft related solely to cash in branches.
8. *Other (please specify)*: please record here any agency fees paid (e.g. to Australia Post) specifically for cash withdrawals and deposits (do not include fees paid to agencies for other services). Please record these fees separately for withdrawals and deposits. Please specify whether these include or exclude GST.

Cost of capital is the institution's cost of capital allocated to cash (excluding ATMs). Please specify how this is calculated.

Other includes any costs of cash withdrawals and deposits not covered by the above categories. Please specify all costs included in this category. Please record and specify all other costs associated with cash management here. This should include only costs related to management of physical cash (e.g. costs associated with the cash dealing desk should not be reported here).

Transaction Number and Value Information

Over-the-counter withdrawals: refers to cash withdrawals made at the branch. This includes withdrawals made at tellers. It excludes withdrawals made at ATMs.

Over-the-counter deposits: refers to cash deposits made at the branch. This includes deposits made at tellers, express business deposits and express consumer deposits. It should not include deposits made at ATMs.

Deposits at agencies: refers to cash deposits made at agencies (e.g. Australia Post) on behalf of the financial institution.

Total: refers to over-the-counter withdrawals/deposits from all types of accounts: personal and non-personal (i.e. commercial).

Personal: refers to over-the-counter withdrawals/deposits from personal accounts only (i.e. not commercial accounts).

TEMPLATE 4: CARD PAYMENTS – ISSUERS

This section provides guidance on the categories to be completed for the costs incurred by issuers of cards (credit card, scheme debit, and EFTPOS). These costs can be broken down into 12 broad categories: 1) card production and delivery, 2) authorisation processing, 3) transaction processing, 4) cardholder reward programs, 5) disputes, 6) net chargeback write-offs, 7) fraud, 8) credit collections and write-offs, 9) cost of funds, 10) cost of capital, 11) interchange fees (ATM and EFTPOS), and 12) other fees.

For credit cards, please report the issuer's costs of all types of credit card transactions (personal and commercial). Please include:

- Direct debit transactions from credit card accounts.
- Credit card processing costs associated with BPAY transactions on credit card accounts.
- Withdrawals and balance enquiries from credit card accounts using ATMs.

For scheme debit, please only report the issuer's costs of scheme transactions on deposit/transaction accounts. This excludes the cost of all EFTPOS cash-outs, all ATM withdrawals and all ATM balance enquiries from deposit/transaction accounts.

For EFTPOS, please report the issuer's costs of proprietary debit transactions on deposit/transaction accounts. This includes EFTPOS, EFTPOS cash-outs, ATM withdrawals and ATM balance enquiries from deposit/transaction accounts.

Please indicate how joint/common costs have been allocated and the cost drivers employed.

Please report costs attributable to cards issued under the brand of three party schemes (e.g. Amex) in the credit card column. Similarly, please report transaction numbers and values attributable to cards issued under the brand of three party schemes in the credit card column.

Card production and delivery includes both newly issued and re-issued cards, and covers all aspects from the card's production to the card's arrival in the hands of the cardholder. However, it excludes card design features that relate to fraud prevention (e.g. hologram, chip).

Authorisation processing includes all the issuer costs incurred in providing authorisation for card transactions. This includes receiving and responding to voice authorisation enquiries, and receiving and responding to referral enquiries.

Please report authorisation processing costs in two categories:

1. *Authorisation processing* costs excluding scheme fees related to authorisation processing.
2. *Scheme fees* related to authorisation processing. Please indicate if the figure reported is inclusive or exclusive of GST.

Transaction processing includes all the issuer costs incurred in processing a card transaction from the point of receipt (from the acquirer or scheme) to the point of posting to the cardholder account. This includes the costs of receiving, verifying, reconciling and settling transactions (i.e. clearing and settlement), including advice to the National Collator. It excludes:

- Receiving and processing retrieval requests, chargeback processing and write-offs. These are included in other functional categories.

- Core IT costs attributable to account overheads and maintenance. These are included in the Account Set-up, Overheads and Maintenance template.
- APCA fees (CECS fees). This is part of the Other Fees category.

Please report transaction processing costs in two categories:

1. *Transaction processing* costs excluding scheme fees related to transaction processing.
2. *Scheme fees* related to transaction processing. Please indicate if the figure reported is inclusive or exclusive of GST.

Cardholder reward programs includes:

1. *Operating costs*. This includes:
 - The development and implementation of cardholder reward programs.
 - The monitoring and ongoing costs of running cardholder reward programs. This includes the costs of inserting additional reward program materials into account statement envelopes.
2. *Rewards*. This includes the purchase of loyalty points, partner payments and cash payments to cardholders.

Please report the costs of the two categories above separately.

Disputes includes:

- Processing voucher retrieval requests. This is a request to a merchant for documentation concerning a transaction, usually initiated by a cardholder dispute or suspicious sale.
- Chargeback processing. This includes receiving and processing chargebacks from cardholders and representments from acquirers.
- Processing doubtful transactions arising in the ATM and EFTPOS system.
- Processing disputed transactions arising in the ATM and EFTPOS system.
- The costs associated with customer enquiries related to disputed transactions, voucher retrieval requests and chargebacks.
- Any other transaction dispute not covered by another category.

Net chargeback write-offs is the net amount written off as chargeback losses.

Fraud includes:

- Fraud prevention. This includes card design features (e.g. hologram, chip), developing secure card delivery procedures, developing card security features (which are principally to reduce or prevent fraud), and developing and maintaining systems and procedures for fraud prevention and detection.
- Investigating, processing and following up suspected or actual cases of intentional card misuse. This covers transactions, lost and stolen cards, card non-delivery, and counterfeit fraud. It includes the reporting of lost and stolen cards.
- Dealing with external parties in matters related to (card issuing) fraud. This includes complying with scheme fraud mitigation measures, assisting investigators from schemes and other card issuers, assisting law enforcement authorities, and relevant legal action.
- The net amount written off as (card issuing) fraud losses.

- The costs associated with customer enquiries related to fraud (excluding enquiries related to disputed transactions, voucher retrieval requests and chargeback processing).

Where some of these are joint costs, please apportion fraud costs based on the proportion of staff time spent on fraud relating to issuing cards.

Please report fraud costs in two sub-categories:

1. *Fraud* costs excluding scheme fees related to fraud prevention and investigation.
2. *Scheme fees* related to fraud prevention and investigation. Please indicate if the figure reported is inclusive or exclusive of GST.

Credit collections and write-offs includes:

- The effort put into minimising and recovering outstanding balances on delinquent and written-off accounts. This includes both pre write-off and post write-off costs.
- The net amount written off as bad debt losses (excluding fraud losses).
- The costs associated with customer enquiries related to credit collections.

Please note that this cost is only applicable to credit cards.

Cost of funds is the cost to the issuer for funding interest free balances (in line with the credit card interchange costs calculations – refer p 15/16 of ‘Common Benchmark for the Setting of Credit Card Interchange Fees’)

http://www.rba.gov.au/PaymentsSystem/Reforms/CCSchemes/common_benchmark_cci_fees.pdf.

Cost of capital includes:

1. *Cost of capital (credit risks)*: this is the cost of capital employed by the issuer to cover the credit risk associated with funding its outstanding credit card portfolio balances. Please note that this cost is only applicable to credit cards.
2. *Cost of capital (operating risks)*: this is the cost of capital employed by the issuer to cover operational risk. (If there are costs of capital associated with other factors please report separately with details.)

Please report the costs of the categories above separately. Please specify how the costs for these categories are calculated, particularly any cost of capital not relating to credit or operating risk.

Interchange fees (ATM and EFTPOS) includes all interchange fees paid for domestic ATM withdrawals and EFTPOS transactions. Please report interchange fees for: 1) EFTPOS purchase only, 2) EFTPOS cash-out only, 3) EFTPOS combined purchase and cash-out, 4) ATM withdrawals, and 5) ATM balance enquiries separately.

Other fees includes:

- Scheme fees excluding: 1) processing fees included in Authorisation Processing or Transaction Processing; and 2) fees related to fraud prevention and investigation. Please note that this cost is only applicable to credit cards and scheme debit. Please indicate if the figure reported is inclusive or exclusive of GST.
- APCA fees attributable to participation in the CECS system as an issuer of cards. Please indicate if the figure reported is inclusive or exclusive of GST.
- Any other fees not covered by another functional category.

Other includes any card issuing costs not covered by the above categories. Please specify all costs included in this category.

TEMPLATE 5: CARD PAYMENTS – ACQUIRERS

This section provides guidance on the categories to be completed for the costs incurred by acquirers of card payments (credit card, scheme debit, EFTPOS). These costs can be broken down into 12 broad categories: 1) acquirer centre management, 2) application processing, 3) merchant servicing (equipment), 4) authorisation and transaction processing, 5) merchant servicing (non-equipment), 6) monitoring, collections and write-offs, 7) disputes, 8) fraud, 9) cost of funds, 10) cost of capital, 11) interchange fees for credit card and scheme debit transactions, and 12) other fees.

For credit cards, please report the costs of all types of credit card transactions (personal and commercial) including direct debit transactions on credit card accounts.

Please indicate how joint/common costs have been allocated and the cost drivers employed.

Please note that this template excludes all costs incurred by acquirers of ATM transactions. These costs are included in the ATM Owners and Acquirers template.

System and IT costs that are attributable to acquiring are allocated to the various function categories listed below.

Acquirer centre management includes management overheads, marketing and product development directly related to the acquiring business. System and IT costs are unlikely to be a significant part of 'acquirer centre management' but this may include system and IT costs related to managing the acquiring business and marketing & product development. Acquirer centre management includes:

- Acquiring business management activities specific to merchant acceptance of cards. This includes:
 - Acquiring services management.
 - Strategic planning and development directly related to card acquiring.
 - The preparation and dissemination of management information which is used as an input in management decisions related to card acquiring.

This category excludes account related functions and specific functions listed elsewhere in these explanatory notes.

- Marketing activities specific to merchant acceptance of cards.
- Product development specific to merchant acceptance of cards (excluding fraud specific design features and specifications, which is part of the Fraud function).

Application processing includes:

- Merchant account (cards) application processing.
- Merchant credit evaluation (cards).

Merchant servicing (equipment) is the depreciation/amortisation of equipment, systems and software (including equipment related origination costs to 'on-board' new merchants). This includes depreciation/amortisation of:

1. *POS devices*. This includes:

- Point-of-sale (POS) devices (e.g. terminals and imprinters): this includes both devices supplied to merchants and inventory costs.

- The delivery and installation of POS devices to merchants.
- The servicing and maintenance of POS devices (including device management).
- Merchant education costs attributable to POS devices.
- POS help desk.

Please also include costs attributable to transactions that are conducted over the POS equipment owned by the reporting institution but are not acquired by the reporting institution (e.g. Amex and Diners transactions).

2. *Telecommunications link*: this includes costs attributable to the telecommunication link between the acquirer and the merchant where the acquirer incurs the costs directly (i.e. all telecommunication link costs paid directly by the merchant should be excluded).

Please also include costs attributable to transactions that are conducted over the communication link (between the merchant and the acquirer) that is owned by the reporting institution but are not acquired by the reporting institution (e.g. Amex and Diners transactions).

3. *Other* (please specify)

Authorisation and transaction processing includes all acquirer costs incurred in authorising and processing a card transaction from the point of receipt to the point of posting to the merchant's account. This includes:

- Any authorisation processing costs, including referral processing costs, attributable to acquiring.
- Switching costs (excluding ATM switching costs). Please also include costs attributable to transactions that are conducted over a switch that is owned by the reporting institution but are not acquired by the reporting institution (e.g. Amex and Diners transactions).
- The cost of gateways.
- The cost of providing stolen card information to merchants (if relevant).
- Transaction processing costs: this includes the costs of receiving, verifying, reconciling and settling transactions (i.e. clearing and settlement), including advice to the National Collator.

Authorisation and Transaction Processing excludes receiving and processing retrieval requests, chargeback processing, and write-offs (these are included under other functions).

Please report authorisation and transaction processing costs in three categories:

1. *Authorisation and transaction processing costs excluding switching costs and scheme fees* related to authorisation and transaction processing.
2. *Scheme fees related to authorisation and transaction processing*. Please indicate if the figure reported is inclusive or exclusive of GST.
3. *Switching* costs.

Merchant servicing (non-equipment) includes five functions:

- Non-equipment related origination costs to 'on-board' new merchants (excluding marketing).

- Merchant statement production: this function includes the generation and sending of statements to merchants. This excludes the costs of inserting additional marketing materials into envelopes.
- Merchant settlement: this includes posting to merchant accounts.
- Customer service: this function includes the receipt and processing of merchant initiated enquiries and requests (other than those covered in other categories e.g. POS help desk enquiries is part of Merchant Servicing (Equipment)). It also excludes general account enquiries.
- Merchant education costs (non-equipment).

Monitoring, collections and write-offs includes three functions:

- Monitoring merchant behaviour: this includes monitoring merchants to protect against losses arising from chargebacks. It excludes monitoring merchant compliance with scheme rules and monitoring to protect against merchant fraud.
- Collections processing: this excludes collections processing for merchant fraud.
- Net chargeback/bad debt write-offs: this excludes write-offs for merchant fraud.

Disputes includes:

- Processing voucher retrieval requests: this is a request for documentation concerning a transaction, usually initiated by a cardholder dispute or suspicious sale.
- Chargeback processing: this includes receiving chargebacks from issuers, sending information to and receiving information from the merchant, processing, and sending representations to issuers.
- Processing doubtful transactions arising in the EFTPOS system.
- Processing disputed transactions arising in the EFTPOS system.
- Any other transaction dispute not covered by another category.

Fraud includes:

- Merchant fraud prevention: this includes monitoring merchants to protect against merchant fraud, and developing and maintaining systems and procedures for fraud prevention and detection.
- Investigating, processing and following up suspected or actual cases of merchant fraud: this includes collections processing for merchant fraud.
- Dealing with external parties in matters related to (merchant card) fraud: this includes complying with scheme fraud mitigation measures, assisting investigators from schemes and other card acquirers, assisting law enforcement authorities, and relevant legal action.
- The net amount written off as merchant fraud losses.

Where some of these are joint costs, please apportion fraud costs based on the proportion of staff time spent on fraud relating to acquiring cards.

Please report fraud costs in two sub-categories:

1. *Fraud costs excluding scheme fees* related to fraud prevention and investigation.
2. *Scheme fees* related to fraud prevention and investigation. Please indicate if the figure reported is inclusive or exclusive of GST.

Cost of funds is the cost to the acquirer for any delay between paying merchants and receiving funds from issuers. Please specify how this cost is calculated.

Cost of capital includes:

1. *Cost of capital (credit risks)*: this is the cost of capital employed by the acquirer to cover credit risk.
2. *Cost of capital (operating risks)*: this is the cost of capital employed by the acquirer to cover operational risk. (If there are costs of capital associated with other factors please report separately with details).

Please report the cost of the categories above separately. Please specify how the costs for these categories are calculated, particularly any cost of capital not relating to credit or operating risk.

Interchange fees includes all interchange fees paid by acquirers for credit card and scheme debit transactions.

Other fees includes:

- Scheme fees excluding: 1) processing fees included in Authorisation and Transaction Processing; and 2) fees related to fraud prevention and investigation. These fees are only applicable to credit cards and scheme debit. Please indicate if the figure reported is inclusive or exclusive of GST.
- APCA fees attributable to participation in the CECS system as an acquirer of EFTPOS transactions. Please indicate if the figure reported is inclusive or exclusive of GST.
- Any other fees not covered by another functional category.

Other includes any card acquiring costs not covered by the above categories. This includes monitoring merchant compliance with scheme rules, including compliance with PCI data security standards. Please specify all costs included in this category.

Transaction Number and Value Information

Transactions acquired: transactions that are acquired by the reporting institution. This excludes transactions acquired by three party schemes (e.g. Amex and Diners).

Transactions over POS devices owned by the acquirer: transactions that are conducted over POS equipment owned by the reporting institution i.e. these are transactions over POS equipment that are leased or rented to merchants by the acquirer. This excludes transactions conducted over POS equipment owned by the merchant or owned by a third party (n.b. large retailers often own their own POS equipment). This section also includes transactions that are conducted over POS equipment owned by the reporting institution but not acquired by the reporting institution (e.g. Amex and Diners transactions).

Transactions over telecommunication link owned by the acquirer: transactions that are conducted over the communication link (between the merchant and the acquirer) that is owned by the reporting institution. (N.b. large retailers may supply their own communication link with the acquirer.) This section also includes transactions that are conducted over the communication link (between the merchant and the acquirer) that is owned by the reporting institution but are not acquired by the reporting institution (e.g. Amex and Diners transactions).

Transactions over switch owned by the acquirer: transactions that are conducted over a switch that is owned by the reporting institution. (N.b. large retailers may have their own switch.) This section also includes transactions that are conducted over a switch that is owned by the reporting institution but are not acquired by the reporting institution (e.g. Amex and Diners transactions).

TEMPLATE 6: CHEQUES

This section provides guidance on the costs incurred by financial institutions as part of the cheque payment process. In this process financial institutions play two roles – as the cheque payer (drawee) institution, and the collecting institution. This template captures the costs incurred in both these roles, as well as a set of ‘common’ overhead costs. These common costs can be broken down into two broad categories: 1) overheads relating to cheques, and 2) cost of capital. Costs specifically associated with the role of cheque payer institution include: 3) cheque production and distribution, 4) processing, and 5) exceptions. Costs specific to the role of collecting institution include: 6) receipt of cheque deposits, 7) processing, and 8) exceptions.

Please report costs and transaction numbers/values for all cheques. For Tier 1A institutions, please capture the costs of any cheques processed for Tier 1B and Tier 2 institutions.

Please indicate how any joint/common costs have been allocated and the cost drivers employed.

Common costs

Overheads relating to cheques includes costs related to supporting the institution’s cheque business. This includes:

1. *Systems, IT and communications*: the cost of development, support and maintenance of IT systems, applications and telecommunications (e.g. direct link costs) that support cheque payments. This excludes systems and IT costs captured in the Account Set-up, Overheads and Maintenance template.
2. *APCS fees*: fees payable to APCA for participation in APCS.
3. *Fraud detection and prevention*: any common fraud detection or prevention costs that cover cheques. This should not include the costs of fraud detection that occurs during cheque processing; this cost is captured below. Where these are joint costs, please apportion fraud costs based on the proportion of staff time spent on fraud relating to cheques.
4. *Storage*: the cost of storing both physical and imaged cheques, and other cheque related records. If this is a common cost, please allocate this cost appropriately e.g. based on the proportion of storage space used for cheques.
5. *Equipment*: the depreciation/amortisation of any overhead equipment related to the cheque business.
6. *Other* (please specify).

Cost of capital is the institution’s cost of capital allocated to the cheque system. Please specify how this is calculated.

Other includes any other costs associated with cheque payments that are not specific to the role of collecting institution or cheque payer institution. For Tier 1B and Tier 2 institutions, fees paid to your Tier 1A institution for cheque clearing and/or settlement should be recorded here. Please separately identify these fees, and indicate if they are inclusive or exclusive of GST. Please ensure these fees are not double-counted in the processing categories below.

Cheque Payer (Drawee) Institution Specific Costs

Cheque production and distribution: the costs of cheque design and approval, printing of cheque books, cheque evaluation (including MICR and image readability) and the delivery of cheque books. If any of these processes are outsourced, the fees paid should be included here. Please indicate if fees are inclusive or exclusive of GST.

Processing:

1. *Processor fees:* fees paid to a third party cheque processor for the cheque payer (drawee) side. The activities the processor performs include exchange attendance, imaging of electronic presentment cheques, manual keying and validation of cheques exchanged for value, some fraud detection processes and advice to the National Collator. Where the costs of these activities are not covered by processing fees, they should be included in the 'internal processing' category below. Please indicate if fees are inclusive of GST. Any fees paid by Tier 1B or Tier 2 institutions to their Tier 1A representative for cheque clearing and/or settlement should not be included here – these fees are captured above in the 'Common costs – Other' category.
2. *Internal processing:* the cheque payer institution will incur costs in the receipt and processing of electronic presentment files, in making pay/no pay decisions, and in fraud detection. Please specify any other processing costs incurred.

Exceptions:

1. *Dishonours:* any costs incurred in the dishonour process, including producing electronic dishonour mailing advices and notifying the collecting institution.
2. *Other:* costs incurred through special answer processing, maintaining 'stop' and 'stop cancellation' requests, errors, disputes, customer enquiries (including customer enquiries related to fraud and disputed transactions), inter-bank enquiries and other exceptions, including staff and help desk costs. Where staff costs are a joint cost, they could be allocated based on the proportion of staff time spent handling exceptions that relate to cheques.

Other: Please specify any other costs specific to the role of cheque payer institution.

Collecting Institution Specific Costs

Receipt of cheque deposits includes:

1. *Transaction processing:* this is the cost of processing an over-the-counter cheque deposit. This is likely to be largely the cost of the teller's time. Please apportion joint costs based on the proportion of staff time related to cheque deposits.
2. *Rent:* this is the rental cost of counter space, apportioned to cheques based on the proportion of over-the-counter transactions that are cheque deposits.
3. *Technology (equipment, systems & software):* this includes all depreciation and lease costs for teller computer terminals/screens/printers and other equipment (including software). These costs will be joint with other payment instruments and should be allocated appropriately. For example, the costs of computer equipment might be allocated based on the proportion of over-the-counter transactions that are cheque deposits.
4. *Other (please specify).* Please record here any agency fees paid (e.g. to Australia Post) specifically for cheque deposits (do not include fees paid to agencies for other services). Please record these fees separately.

Processing includes:

1. *Processor fees*: the fees paid to a third party cheque processor for the collecting side. The functions performed by the processor might include: imaging, preparation for electronic presentment exchange (balancing, transforming the MICR to electronic form, adding value data, sorting and batching, file amalgamation and processing corrections and exceptions), transfer of the electronic presentment file to the financial institution, preparation for physical exchange of 'for value' cheques (sorting cheques by institution, producing strip listings and amalgamation to the exchange summary), exchange attendance, and advice to the National Collator. Where the costs of these activities are not covered by processing fees, these costs should be included in the 'internal processing' category below. Please indicate if any fees reported are inclusive or exclusive of GST. Any fees paid by Tier 1B or Tier 2 institutions to their Tier 1A representative for cheque clearing and/or settlement should not be included here – these fees are captured above in the 'Common costs – Other' category.
2. *Internal processing*: beyond paying third party fees, the collecting institution also incurs processing costs, such as: transporting cheques from branches to the third party processor or data centre, accepting electronic presentment files from its processor, transmitting these files to the drawee institutions, etc. Please specify any other internal processing costs.

Exceptions: these are the costs that arise from a 'non-standard' cheque transaction, including dishonours and disputes.

1. *Dishonours*: the cost of receipt and processing of electronic dishonour mailing advices, of debiting the merchant's account when a dishonour occurs and any other costs incurred as a result of dishonours (please specify).
2. *Other*: the costs of processing special answers, errors, disputes, customer enquiries, inter-bank enquiries and other exceptions (please specify). This will include staff and help desk costs. Where staff costs are a joint cost, they could be allocated based on the proportion of staff time spent handling exceptions that relate to cheques.

Other: includes any costs specific to the role of collecting institution not captured above. Please specify these costs.

Transaction Number and Value Information

Number of cheques received/deposited: where more than one cheque is deposited in a single transaction, please count each cheque separately.

Number of cheques received/deposited (agency): refers to cheques deposits taken at an agency (e.g. Australia Post) on behalf of the financial institution. Please report the total number of cheques deposited – where more than one cheque is deposited in a single transaction, each cheque should be counted separately.

TEMPLATE 7: DIRECT ENTRY PAYMENTS

This section provides guidance on the categories to be completed for the costs to financial institutions of direct entry payments from deposit/transaction accounts. Please present costs (and transaction numbers and values) for *all* direct entry payments. For Tier 1 institutions that process direct entry transactions for Tier 2 institutions please capture the costs and transaction numbers/values for these transactions.

The common costs across all direct entry payments for financial institutions can be broken down into four broad categories: 1) overheads relating to direct entry, 2) fraud, 3) cost of capital, and 4) other general direct entry costs. Costs specifically associated with direct debit include: 5) user servicing, and 6) customer servicing.

Please indicate how joint/common costs have been allocated and the cost drivers employed.

Common costs

Overheads relating to direct entry covers overhead costs associated with all direct entry payments. It includes:

1. *Systems, IT and communications*: this will include any depreciation/amortisation of systems, IT and software costs that support direct entry payments (do not include internet or phone banking – this is included in the Account Set-up, Overheads and Maintenance template).
2. *Maintenance*: this includes all ongoing maintenance costs of direct entry systems (including staff costs).
3. *Accepting and processing files*: includes all costs incurred by financial institutions associated with transmitting/receiving files of direct entry payments. This might include at least staff and communications costs.
4. *Clearing and settlement*: all costs associated with clearing and settlement (e.g. staff and communication costs), including advice to the National Collator. Fees paid by Tier 2 institutions to their Tier 1 agent should not be included here, these are captured in the ‘Other general direct entry costs’ category below.
5. *APCA/BECS fees*: Fees payable to APCA for participation in BECS. Please indicate if the figure reported is inclusive or exclusive of GST.
6. *Other* (please specify).

Fraud includes the costs of:

1. *Fraud prevention and investigation*: this includes all costs associated with preventing and investigating fraud over direct entry systems (e.g. staff and communication costs). This also includes the costs associated with customer enquiries related to fraud (excluding disputed transactions).
2. *Insurance*: this is the cost of insurance that covers loss against fraud specifically over direct entry systems (net of successful claims).
3. *Losses*: this includes net losses (after recoveries but before successful insurance claims) due to fraud over direct entry systems.
4. *Other* (please specify).

Where fraud costs are joint costs, please apportion them to direct entry based on the proportion of staff time spent on fraud relating to direct entry.

Cost of capital is the institution's cost of capital allocated to direct entry. Please specify how this is calculated.

Other general direct entry costs includes any other costs associated with general direct entry payments that are not specific to either direct credit or direct debit transactions. One item that might be recorded here is the costs (fees and staff) associated with changes to participants on APCA Membership Change dates. For Tier 2 institutions please indicate here any fees paid to your Tier 1 institution for direct entry payments processing. Please indicate if fees are inclusive or exclusive of GST.

Direct Debits from deposit/transaction accounts

User servicing includes the costs related to communicating with Users (i.e. merchants/billers) regarding consumer direct debit payments. It includes:

1. *Direct debit set-up*: this includes the costs, if any, associated with establishing direct debit transactions (staff, communications and processing).
2. *Exceptions processing*: this includes all costs related to direct debit dishonours, refusals, recalls, returns and trace requests.
3. *Other* (please specify): include here any other communication with merchants regarding direct debits.

Customer servicing includes all costs associated with customer enquiries regarding, and changes to, direct debit payments. This also includes costs associated with customer enquiries related to disputed transactions (excluding fraud). Where this is a joint cost, please apportion costs based on the proportion of customer service time related to direct debit enquiries.

Other direct debit costs include any other costs specific to direct debit transactions. Please specify these costs.

Direct Credit

Other direct credit costs includes any other costs specific to direct credit transactions that are not captured elsewhere in the template. This also includes costs associated with customer enquiries related to disputed transactions (excluding fraud). Please specify these costs.

TEMPLATE 8: BPAY

This template collects costs incurred by financial institutions as a result of their BPAY activities. Financial institutions can perform two roles in the BPAY payments process – as the bill payer financial institution and as the biller financial institution. This template collects information on the costs of both activities, as well as a set of costs that are common across each. These common costs can be broken down into three broad categories: 1) overheads relating to BPAY, 2) BPAY fees, and 3) cost of capital. Costs incurred specifically through the role of bill payer institution include: 4) bill payer specific overheads, 5) processing costs, and 6) fees. Costs incurred through the role of biller institution include: 7) biller set-up costs, 8) biller specific overheads, 9) processing costs, and 10) fees.

Please report costs and transactions on the basis of all payments – personal and business. Where any costs or fees differ between payments made from a deposit/transaction account and those made from a credit card account, please report these separately.

Any costs or fees related to BPAY View should not be included.

Please indicate how joint/common costs have been allocated and the cost drivers employed.

Common costs

Overheads relating to BPAY: these are any costs related to supporting the institution's BPAY business. This includes the costs of maintaining communications links with BPAY, as well as any overhead costs and common systems operation and maintenance costs attributable to the institution's BPAY business. Any systems operation and maintenance costs that are specifically related to the role of biller institution or bill payer institution should not be included in this section.

BPAY fees: this section captures the fees paid to BPAY that are common across the roles of biller institution and bill payer institution. This should include fees that are incurred on a 'per-transaction' basis, and any annual or 'one-off' fees incurred during the reporting period. Please indicate if the figure reported is inclusive or exclusive of GST.

Any fees that are specifically related to the role of biller institution or bill payer institution will be captured below e.g. the BPAY capture reimbursement fee should not be included in this section.

Cost of capital is the institution's cost of capital allocated to BPAY. Please specify how this is calculated.

Other includes any other costs associated with BPAY that are not specific to the role of biller or bill payer institution. For Associate BPAY members, this may include fees paid to your Representative Participant member. Please include only fees paid that directly relate to the agreement between your institution and your Representative – any fees ultimately paid to BPAY should not be captured here.

Bill Payer Institution Specific Costs

Bill payer specific overheads: these are primarily the costs of operating and maintaining the institution's systems and IT directly related to BPAY (do not include internet or phone banking – this is included in the Account set-up, Overheads and Maintenance template).

Processing costs: these are the costs incurred in sorting the BPAY payments made, creating information files and transmitting them to BPAY, as well as the costs of final settlement – including

the receipt, validation and confirmation of final settlement amounts with BPAY. These costs may be joint with other payment instruments. If so, they should be allocated to BPAY using an appropriate cost driver, e.g. the proportion of transactions that are BPAY payments. Where possible, please separately identify the costs of processing BPAY payments made from a credit card account from the costs of processing those made from a deposit/transaction account.

Fees: this refers to fees paid to BPAY that are specific to the role of bill payer institution, if any. Please indicate if the figure reported is inclusive or exclusive of GST.

Other: includes any other costs specific to the role of bill payer institution not captured above. This should include the costs of any marketing or promotion of BPAY to consumers, and the costs of processing any BPAY exceptions, *excluding* exceptions arising from payments from a credit card account (these costs should be included in the Cards template). This section also includes costs associated with customer enquiries related to disputed transactions and fraud. If staff costs of exceptions processing are a joint cost, they might be allocated based on the proportion of staff time spent handling exceptions that relate to BPAY payments from a deposit/transaction account. Please ensure the costs of exceptions processing is identified separately to any other costs. Please specify any other costs.

Biller Institution Specific Costs

Biller set-up costs: these are the costs incurred in establishing merchant relationships and setting the merchant up as a BPAY biller. This includes any marketing and promotion of BPAY to merchants, customer servicing costs and legal costs.

Biller specific overheads: the ongoing costs of operating and maintaining systems used specifically in the role of biller institution that can be allocated to BPAY e.g. this may include systems to track account payments.

Processing costs: these are the costs associated with receiving payment information files from BPAY, reconciling this information, sorting it by biller, reporting to billers, and resolving problems. This should also include any costs of final settlement, including verification with BPAY, and accepting funds at the end of the day. This is likely to include primarily staff related costs; any other costs should also be included. Where staff costs are a joint cost, they might be allocated based on the proportion of staff time spent processing BPAY transactions.

Fees:

1. *Capture reimbursement fees:* the fees paid by the biller institution to the bill payer institution. Please separately identify the fees paid for credit card BPAY transactions and those paid on BPAY payments from a deposit/transaction account. Please indicate if fees are inclusive or exclusive of GST.
2. *Other:* any other fees paid to BPAY that are specific to the institution's role as biller institution. Please indicate if the figures reported are inclusive or exclusive of GST.

Other: this includes any other costs specific to the role of biller institution not captured above. This should include the costs of any exceptions processing related to BPAY, *excluding* exceptions arising from payments from a credit card account (these costs should be included in the Cards template). If staff costs of exceptions processing are a joint cost, they might be allocated based on the proportion of staff time spent handling exceptions that relate to BPAY payments from a deposit/transaction account. Please ensure the costs of exceptions processing is identified separately to any other costs. Please specify any other costs.