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8 April 2005

Dr John Veale
Head of Payments Policy
Reserve Bank of Australia
By e-mail: payments@rba.gov.au

Dear Dr Veale

Credit card interchange fees

Credit Union Services Corporation (Australia) Ltd (CUSCAL) makes this submission in response to the invitation issued by the RBA in its 24 February 2005 media statement.

CUSCAL is the main industry body for credit unions and has a continuing strong interest in payments system regulation.

Payments regulatory policy should be consistent and soundly-based across all payment products, particularly as it applies to payment cards.

Differences in the benchmark interchange fees between the three credit card schemes create a reversal of normal competitive forces. The overall efficiency of the payments system is likely to deteriorate as the highest cost credit card scheme is able to use its high cost structure as a competitive advantage to recruit more credit card issuers.

To remove this anomaly, CUSCAL supports a single benchmark interchange fee to apply to all schemes. The benchmark should be based on average eligible costs measured across all credit card schemes.

Yours sincerely

A handwritten signature in black ink, appearing to read "Louise Petschler", is written over a horizontal line.

LOUISE PETSCHLER
Head of Public Affairs