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

Your ref: Media Release No. 2008-28 dated 10 December 2008

Dear Michele

RE: Submission to the RBA on the Consultation Document for an Access Regime for the ATM System

We refer to your above media release and the invitation to comment on the Bank's consultation document for a proposed Access Regime for the ATM System.

Overall we support the Bank's approach to the reforms of the ATM system and generally endorse the draft Access Regime outlined in the consultation document. Our comments with regards to the consultation document center on the following four specific areas, namely:

- Direct connection cap
- Direct clearing/settling arrangements
- Interchange fees
- Future evolution of the ATM system

Direct connection cap

We support the Bank's view that having certainty with respect to the cost of establishing a direct connection is important in improving access to the ATM system. In this instance we welcome the establishment of a cap on the connection fee and support that the cap be based on the lowest estimated cost as reported to APCA in the connection cost survey undertaken in August 2008, namely \$76,700.

Direct clearing/settling arrangements

We welcome the Bank's expressed view that "an integral part of any financial institution's business is the provision of payment services to its customers" (page 10; Access Regime for the ATM System: A Consultation Document; RBA; December 2008). As such, we concur with the bank's view that "clearing and settlement is fundamental banking business and, provided financial institutions meet appropriate objective prudential standards, they should have the right to clear and settle directly with other financial institutions" (page 10;

Access Regime for the ATM System: A Consultation Document; RBA; December 2008). Therefore, the right to clear and settle is such a basic need to the payments system that access to such arrangements should not incur a charge.

The need for certainty in the establishment of these basic arrangements has been an issue that Indue has repeatedly brought to the attention of the Bank, given our experience over the last few years in endeavoring to establish direct clearing and settling arrangements with our settlement counterparties. With certainty now explicit, we believe access to the ATM system has been significantly enhanced.

While we welcome these advances in the ATM system, we are disappointed that the same certainty does not yet exist in the EFTPOS system with respect to the establishment of direct clearing and settling arrangements (in the EFTPOS system the Board has not yet considered making the same explicit distinction between connection types, namely direct connection and direct clearing/settling arrangements). The lack of certainty in EFTPOS is something we highlighted to the Bank in our submission on the Preliminary Conclusions of the 2007/08 Review and also during our consultation with the Bank. Given the close practical parallels between the clearing and settling processes for both systems, we do not believe that they can exist without the same level of certainty with respect to clearing and settling.

We now call on the Bank to immediately review the Access Regime for the EFTPOS system and align both Regimes with respect to clearing and settling arrangements.

Interchange fees

In broad terms we support the changes proposed by the Bank with respect to bilateral interchange fees.

We also welcome the Bank's willingness to allow smaller institutions to enter into specific agreements with institutions that have large ATM networks for the use of their ATMs in exchange for an access fee. However, we are disappointed with the Bank's expressed position that limits such one-way arrangements to only one per institution.

In this regard we note that in neither the Bank's letter to APCA dated 1 September 2008, nor in the consultation document, is an explanation offered by the Bank justifying its position.

One of the central premises for the removal of bilateral interchange fees and the introduction of direct charging is the improvement in the competitive landscape of the ATM system (with respect to the cost of a transaction to the user). Our experience in negotiating one-way agreements has been that these negotiations have taken place on a strict commercial basis and have been pro-competitive. We have previously discussed this with the Bank during consultations in October 2008.

In practical terms however, one-way arrangements must be limited in number in order for an institution to be able to negotiate an access fee that offers some benefit over the applicable direct charge. In our experience, we believe that

two one-way arrangements can co-exist on a competitive basis. However, under the Bank's direction we are prohibited from implementing more than one agreement and hence, believe that some of the important benefits that the Bank has helped to drive through the reform of the ATM system are being denied to us.

Consequently, we again appeal to the Bank and ask that it reconsider its position and allow for at least two one-way arrangements to exist per institution.

Future Evolution of the ATM System

We agree with the Bank's conclusion that the architecture of both the ATM and EFTPOS systems needs to support a single connection by an access seeker. The current architecture which is characterised by a series of bilateral connections between institutions makes both the ATM and EFTPOS systems difficult to gain access to and problematic to work within.

We appreciate the opportunity to comment on the Board's consultation document. Should you require any further information or wish to discuss any comment made in this letter, please do not hesitate to contact me on (07) 3258 4250 or Michael Swannell on (07) 3258 4248.

Yours faithfully



Manuel Garcia
Chief Executive Officer