

1 April, 2019

The Reserve Bank of Australia  
65 Martin Place  
SYDNEY NSW 2000  
Via email to [PYSubmissions@rba.gov.au](mailto:PYSubmissions@rba.gov.au)

For the attention of Clare Noone: [noonec@rba.gov.au](mailto:noonec@rba.gov.au)

Dear Clare,

**Re: Cuscal response to the Operation of the Interchange Standards: Consultation Paper**

**Background**

Cuscal Limited (Cuscal) appreciates the opportunity to respond to the consultation paper issued by the Reserve Bank of Australia (RBA).

As you know, Cuscal is an end-to-end payments provider that services more than 100 established and challenger brand clients within Australia's financial system. We are an Authorised Deposit-Taking Institution and hold an Australian Financial Services Licence.

The services that we provide to our client institutions include payments, settlements and infrastructure, and scheme sponsorship.

Cuscal also works closely with small and large fintech companies seeking access to the Australian payments ecosystem and has enabled the connectivity to clients. We are experienced in developing API's for our clients, and we are compliant with Payment Card Industry's Data Security Standards (PCI-DSS). The secure handling and transmission of customer financial transactional data is therefore core to our business. Cuscal supports an industry environment that encourages competition, stability and innovation, and one that does not place unreasonable cost burdens on the industry.

Our responses below have been structured in line with the eight proposals raised in the consultation paper.

**Proposal No. 1**

*"The Bank's Standards No. 1 and No. 2 of 2016 would be modified to require an accrual approach to be used to allocate Issuer Receipts and Issuer Payments to, or between, reporting periods in a manner consistent with the purpose and intent of the standards, such that in determining net compensation certifying entities have more scope to draw on information from financial accounts prepared in line with generally accepted Australian accounting principles. Compliance would not be permitted on a cash or quasi-cash basis."*

Cuscal has no objection to this proposal and welcomes its adoption.

We suggest the words "in line with" be replaced with "in compliance with". Secondly, we note that (subject to meeting various conditions) there is an exemption process should Australian Accounting Standards change, on the basis that such change could impact ongoing compliance with the Standards.

## **Proposal No. 2**

*Clarify that 'Issuer Payments' are those payments made by issuers in relation to core services of a scheme.*

Cuscal has no objection to this proposal. We would note that as "loyalty services" are excluded from Issuer Payments the exclusion must also apply for Receipts.

## **Proposal No. 3**

*Remove references to 'Acquirer' from the definition of "Issuer Payments" in the Standards.*

Cuscal has no objection to this proposal.

## **Proposal No. 4**

*Clarify the standards with the effect that where there is a price at which the supplier is regularly supplying relevant property or services, any discounts or deduction from that price that meets the incentive test is a benefit to be included in Issuer Receipts.*

Cuscal has no objection to this proposal.

To maintain consistency, in line with proposal 4 and 5, it would be logical to ensure that the same price or fair value determined for a relevant "property or services" in Receipts cannot be adjusted or used differently in relation Payments, unless of course there are costs that are logically attributable to the "property or services" in Payments.

## **Proposal No. 5**

*Clarify the standards with the effect that where property or services supplied and there is not a price at which the supplier is regularly supplying the relevant property or services, the benefits to be included in Issuer Receipts, subject to the incentive test, is the amount by which the fair value of the property or services exceeds what is paid for the property or services (and if nothing is paid, then the full fair value is to be included).*

Cuscal has no objection to this proposal, noting our comment in proposal 4 above.

## **Proposal No. 6**

*Clarify that the types of entity that an issuer can receive an Issuer Receipt from include associated entities of scheme administrators on the definition of Associated Entity in the Corporations Act 2001.*

Noted. In these and other similar circumstances, Cuscal recommends the RBA includes wording to recognise offsets between Receipts and Payments to and from interrelated entities. Additionally, it is incumbent upon issuer participants to summarise such detail in their compliance return.

## **Proposal No. 7**

*The Bank's standards No. 1 and No. 2 of 2016 would be modified, such that for scheme-issuer arrangements where one entity sponsors another for a card issuing arrangement, it is only the sponsoring issuer that is required to comply with the net compensation provisions.*

Cuscal has no objection to this proposal. Cuscal is of course subject to this proposal.

## **Proposal No. 8**

*Provide transition arrangements that allow, for the reporting period ending 30 June 2019 only, an Issuer to choose whether to comply fully with current standard or fully with the revised standard. The issuer must notify the scheme of their choice, and the scheme must report on the same basis as the issuer for each scheme-issuer agreement. In the event that an issuer fails to notify the scheme of its choice by the date specified in the varied standard, the issuer will be deemed to have elected to comply with the current standard and a scheme must report compliance with the current standard for that scheme-issuer arrangement for the reporting period ending 30 June 2019. Thereafter, issuers and schemes must comply with the revised standard only.*

*Alternative:*

*For the reporting period 30 June 2019, scheme and issuers must comply fully with the current standards. Thereafter, schemes and issuers must comply with the revised standards.*

We support the alternative approach. We would note that the time required to adjust to the amended Standards will depend (in part) on which of the proposed changes are implemented by the RBA and also on whether the final amendments differ from those proposed in the consultation paper.

We trust that our above responses will assist the RBA in formulating variations to the Standards No. 1 and No. 2, and if we can be of any further assistance, please feel free to contact me.

We look forward to seeing you at your offices on Wednesday, 3 April 2019.

Yours sincerely,

**Kieran McKenna**  
Chief Risk Officer.