



28 March 2019

Reserve Bank of Australia  
GPO Box 3947  
Sydney NSW 2001

Email: PYSubmissions@rba.gov.au

Dear Sir/Madam,

**RE: Submission on The Operation of the Interchange Standards Consultation Paper**

Visa welcomes the opportunity to provide a response on the Reserve Bank of Australia's (RBA) consultation paper on The Operation of the Interchange Standards, issued in February 2019.

**Proposal 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.**

Visa supports Proposal 1 regarding Standards No. 1 and No. 2 of 2016 being modified to require the use of an accrual approach to allocate Issuer Receipts and Issuer Payments to, or between, reporting periods in a manner consistent with the purpose and intent of the Standards.

In regard to Proposal 1, Visa uses US Generally Accepted Accounting Principles (GAAP) and has done so while our Australian clients are most likely using Australian GAAP standards. While not identical, to date we have not encountered any known discrepancies with this arrangement and would plan to use US GAAP standards in regard to Standards No. 1 and No. 2 of 2016.

**Proposal 2: Clarify that 'Issuer Payments' are those payments made by issuers in relation to core services of a scheme.**

Visa supports Proposal 2 regarding the clarification that 'Issuer Payment' are those payments made by Issuers in relation to core services of a Scheme but additionally, Visa recommends that the RBA consider a definition of 'core services' (and the associated 'core fees') to be those services (and fees) that are unavoidable by an Issuer participating in a Scheme's card issuing program. In our view, fees for services that are optional to, or could be avoided by, an Issuer (or can be provided by another provider), should not be considered 'core services' (or 'core fees'). Visa suggests that further consideration be given to determining a clear definition of 'core services' (and the associated 'core fees') and we would welcome the opportunity to engage further with the RBA on this proposal.

**Proposal 3: Remove references to ‘Acquirer’ from the definition of ‘Issuer Payments’ in the standards.**

Visa agrees with the RBA’s proposal to remove references to ‘Acquirer’ from the definition of ‘Issuer Payments’ in the standards.

**Proposal 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 discount or deduction from that price that meets the incentive test is a benefit to be included in Issuer Receipts.**

**Proposal 5: Clarify the standards with the effect that where property or services are supplied and there is not a price at which the supplier is regularly supplying the relevant property or services, the benefit 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).**

Visa supports Proposals 4 and 5 and is already following the approaches recommended in these proposals. In regard to these proposals, we would welcome the RBA providing clarity on whether products and services provided to Issuers outside of incentive agreements would be captured in these proposals.

**Proposal 6: Clarify that the types of entity that an issuer can receive an Issuer Receipt from include associated entities of scheme administrators, drawing on the definition of Associated Entity in the *Corporations Act 2001*.**

Visa supports Proposal 6 and additionally, Visa recommends that all payments made within an affinity or co-brand partnership issuance be captured as Issuer Receipts. We expect that this will alleviate any ambiguity in determining any such payments and lead to a consistent approach.

The RBA’s definition of “Incentive Test” under this proposal is consistent with how Visa assesses Net Compensation.

**Proposal 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.**

Visa supports Proposal 7 which is in line with our current practice, and we welcome the clarity and simplification that this proposal brings.

**Proposal 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 ending 30 June 2019, schemes and issuers must comply fully with the current standards. Thereafter, schemes and issuers must comply with the revised standards.**

With respect to Proposal 8 regarding the new transitional arrangements, Visa is comfortable with the 1 July 2019 schedule the RBA suggests. We would recommend a single timetable and foresee challenges with the multiple timetables approach outlined in the consultation paper. In our view, it runs the risk of error and inconsistency due to different compliance regimes being in place. Given the time remaining until the end of current reporting period, we also suggest introduction of the single timetable from the beginning of Reporting Period 3.

Although not addressed in the consultation paper, we recommend that consideration be given to allowing for supplementary attestation relating to total contracted period between Scheme and Issuer in the case of single Reporting Period technical non-compliance of the Standards.

Thank you again for the opportunity for Visa to provide its perspectives on the consultation paper. If the RBA has any queries regarding this submission, Visa representatives are available to provide further details and clarifications as needed.

A handwritten signature in black ink, appearing to read 'J Potter', is positioned above the printed name.

Julian Potter  
Group Country Manager  
Visa Australia, NZ & South Pacific