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5<sup>th</sup> July 2013

Mr Tony Richards  
Head of Payments Policy Department  
Reserve Bank of Australia  
GPO Box 3947  
**SYDNEY NSW 3947**

By email to: [pysubmission@rba.gov.au](mailto:pysubmission@rba.gov.au)

Dear Mr Richards

**Review of Card System Access Regimes: A Consultation Document  
Submission by Wright Express Australia Pty Ltd**

I refer to the above referenced Consultation Document released for review on 28 May 2013.

Wright Express Australia Pty Ltd (Wright Express) is pleased to make the following submission in response to the Consultation Document.

**Background of Wright Express**

Wright Express is an Australian payments processing business that is wholly owned by WEX Inc., a company listed on the New York Stock Exchange.

Wright Express, under its primary business operations, provides the following services:

- Prepaid fuel charge card services under its Motorpass and Motorcharge brands, under co-branded programs with fuel retailers and under third party brands as a white label service offering;
- Gift card program services to retailers;
- Corporate payment services, including through Scheme based virtual credit cards.

WEX Bank, a subsidiary of WEX Inc and a prudentially regulated bank from the United States of America, has recently applied to APRA to be an SCCI as a virtual credit card issuer. While WEX Bank wishes to limit its activity in the Australian Payment System to issuing a niche commercial credit card product, the current SCCI approval process is a 'one size fits all' process, requiring WEX Bank to follow the same approach as an entity that wishes to operate a number of branches across Australia offering consumer credit cards.

## Summary of Submission

Wright Express has considered the three options outlined in the Consultation Document. Wright Express' preference is for Option 2 to be adopted with mechanisms put in place to protect the financial security of the payment system in Australia while ensuring adequate competition and access to the market.

Specifically Wright Express believes that Visa and MasterCard should determine their own Scheme participation criteria. However, Wright Express believes that Visa and MasterCard should submit to voluntary undertakings concerning participant eligibility and access, to the Reserve Bank in order to limit the exposure of the payment system to risks associated with the failure of a particular issuer.

Wright Express considers that one of these voluntary undertakings should determine that participation only be available to organisations that are subject to prudential regulation, whether that is regulation in Australia as an ADI or SCCI, or prudential supervision in a foreign jurisdiction. As a foreign entity would already be subject to prudential regulation and the expanded activity in Australia will be considered as part of the whole, the 'primary' regulator will in effect be supervising the additional activity without the need for an Australian regulator to duplicate the effort already undertaken. The Reserve Bank and ARPA must consider that the prudential supervision specified by the Schemes is adequate for the purposes of adequately managing financial risk in the Australian payment system.

Wright Express believes that this expansion to participation eligibility will permit secure expansion in terms of participation in the payment system, without imposing an additional regulatory burden on APRA to supervise issuers who do not carry on banking businesses (other than credit card issuing and acquiring) and without exposing the Australian payment system to unregulated and potentially unsecure operators. It would also ensure a level playing field for organisations participating in the schemes in that they will all be the subject to prudential regulation and not just some of them.

## Review of Policy Options

### *Option 1: Vary the Access Regimes to Widen Eligibility for Participation*

Wright Express believes that only one of the approaches detailed in Option 1 would achieve the Reserve Bank's aim of ensuring the payment system remains competitive by widening the range of entities eligible to participate in the Visa and MasterCard Schemes, without materially increasing risk in the financial system. Wright Express agrees that the Reserve Bank could vary the access regimes to specify that ADIs as the narrowest class may participate, but also open up eligibility to participate to entities that are not ADIs. It is anticipated that this expansion of eligibility be specified by the Schemes. However, Wright Express believes that this expansion of eligibility may be better managed under Option 2, removing the need to vary the access regimes.

### *Option 2: Revoke the Access Regimes*

Option 2 is Wright Express' preferred option. Wright Express would support a framework in which the Schemes determine eligibility for access to the payment system, subject to agreed voluntary undertakings to the Reserve Bank around access and specific criteria for eligibility.

The Scheme eligibility and access rules should be subject to Reserve Bank scrutiny to ensure that they do not:

- Impose unfair and discriminatory barriers to participating in the Schemes by some organisations; or
- Impose undue risks for current Scheme participants, and to the financial system in Australia, by permitting less financially secure or less well administered organisations from participating in the payment system.

In order to achieve the above, Wright Express would support an amendment to the Scheme participation rules that preserves the entitlement of ADIs to participate but also allow organisations other than Australian ADIs to participate. Such participation would be conditional on those organisations being able to demonstrate to the satisfaction of the Scheme rules that they are subject to prudential regulation in an "Approved Foreign Jurisdiction". The Reserve Bank and APRA could designate a number of "Approved Foreign Jurisdictions" for the purposes of access to the Australian payment system.

Under Option 2, the Schemes would be responsible for, and bear the cost of screening, prospective participants. This would address the Reserve Bank's concern around the transfer and escalation of cost to APRA under the current regulatory framework.

*Option 3: Maintain the Status Quo*

Wright Express does not support Option 3 on the basis that it does not achieve the aim of the Reserve Bank to ensure that the payment system remains competitive.

Thank you for the opportunity to contribute to this consultation. I would be pleased to meet with you to discuss Wright Express' Submission, and request that you contact the writer directly if you would like to meet.

Yours sincerely

Gregory Drumm  
Managing Director Asia Pacific  
Wright Express Australia Pty Ltd