

# RESERVE BANK OF AUSTRALIA

## *Payment Systems (Regulation) Act 1998*

### *Draft Variation to the Standard for EFTPOS Interchange Fees*

This notice is published in accordance with the requirements set out in Section 28(2)(a) of the *Payment Systems (Regulation) Act 1998* (the Act).

The Reserve Bank of Australia proposes to vary, in accordance with Section 18 of the Act, the Standard entitled *The setting of interchange fees in the EFTPOS payment system* gazetted on 24 April 2006.

#### **Summary of purpose and effect of the proposed variation**

The purpose of this variation is to align the regulatory regime for EFTPOS interchange fees with that applying to the Visa Debit System as set out in the Standard entitled *The setting of interchange fees in the Visa Debit Payment System*, gazetted on 7 July 2006.

Under the current EFTPOS interchange standard, interchange fees are required to be between 4 and 5 cents (paid to the acquirer). However, the standard for Visa Debit interchange fees and MasterCard's voluntary undertaking on debit interchange fees only require the weighted average of fees in those systems to be at or below 12 cents paid to the issuer. In setting interchange fees, therefore, the MasterCard and Visa systems have more flexibility than the EFTPOS system. This is likely to result in the EFTPOS system being at a competitive disadvantage to the MasterCard and Visa Debit systems.

The effect of the proposed variation is to ensure all the debit systems in Australia are subject to a broadly equivalent regulatory regime by aligning the cap applying to all schemes at 12 cents paid to the issuer. While of itself this change will not necessarily affect current interchange fees in the EFTPOS system, it will make it possible for interchange fees in the EFTPOS system to be set over a wider range than is currently possible. Any change in interchange fees will be dependent upon agreements between participants of the system.

Additional discussion of the proposed changes is contained in the Reserve Bank's Media Release of 22 September 2009, which can be found on the Reserve Bank's website at <http://www.rba.gov.au/MediaReleases/2009/mr-09-20.html>.

## **Submissions**

Interested parties are invited to make submissions on the proposed variation to the Standard *The setting of interchange fees in the EFTPOS payment system*.

Submissions should be made by 23 October to:

Head of Payments Policy or [PYSubmissions@rba.gov.au](mailto:PYSubmissions@rba.gov.au)  
Reserve Bank of Australia  
GPO Box 3947  
Sydney NSW 2001

Signed



GR Stevens  
Governor  
Reserve Bank of Australia

*Date*

23/9/2009

## The Setting of Interchange Fees in the EFTPOS System

### Objective

*The objective of this Standard is to ensure that the setting of interchange fees in the designated EFTPOS payment system promotes:*

- (i) efficiency; and*
- (ii) competition*

*in the Australian payments system.*

### Application

1. This Standard is determined under Section 18 of the *Payment Systems (Regulation) Act 1998*.
2. This Standard applies to the payment system operated within Australia known as the EFTPOS system, which was designated as a payment system on 9 September 2004 and referred to below as the EFTPOS system.
3. In this Standard:
  - an 'acquirer' is a participant in the EFTPOS system that provides services to a merchant to allow that merchant to accept a debit card;
  - 'debit card' means a card issued by a participant in the EFTPOS system that allows the cardholder to make payments to merchants for goods or services and/or obtain cash out using the EFTPOS system by accessing a deposit account held at an authorised deposit-taking institution;
  - 'debit card transaction' or 'transaction' means a transaction in Australia using the EFTPOS system;
  - 'financial year' is the 12-month period ending 30 June;
  - an 'issuer' is a participant in the EFTPOS system that issues debit cards to its customers;
  - 'merchant' means a merchant in Australia that accepts a debit card for payment for goods or services and/or that provides cash out;
  - a 'self-acquirer' is a participant in the EFTPOS system that is a merchant that sends transactions directly to issuers rather than through an acquirer and takes on the responsibilities usually undertaken by an acquirer;
  - terms defined in the *Payment Systems (Regulation) Act 1998* have the same meaning in this Standard.
4. This Standard refers to wholesale fees, known as 'interchange' fees, which are payable between an issuer and an acquirer or self-acquirer, directly or indirectly, in relation to a debit card transaction in the EFTPOS system. In this Standard:
  - 'Multilateral interchange fees' are interchange fees that are determined by EFTPOS Payments Australia to apply to transactions in the EFTPOS system between any members of that system in the absence of a bilateral agreement;
  - 'Bilateral interchange fees' are interchange fees that are agreed between two participants in the EFTPOS system for payments solely between those participants in relation to EFTPOS transactions.
  - For the purposes of calculations and comparisons in this standard, interchange fees flowing from acquirers to issuers are to be expressed as positive numbers and interchange fees flowing from issuers to acquirers are to be expressed as negative numbers.
5. Each participant in the EFTPOS system must do all things necessary on its part to ensure compliance with this Standard.
6. If any part of this Standard is invalid, the Standard is ineffective only to the extent of such part without invalidating the remaining parts of this Standard.

7. This Standard is to be interpreted:
  - in accordance with its objective; and
  - by looking beyond form to substance.
8. This Standard comes into force on [date].

### **Interchange fees**

9. From [date], on each of the dates specified in paragraph 10, the weighted average of multilateral interchange fees implemented in the EFTPOS system in Australia (excluding GST) must not exceed the benchmark set out in paragraph 13 below.
10. For the purposes of paragraph 9, the dates are:
  - a. [date]; and
  - b. [1 November] of every third year after 2009; and
  - c. The date any multilateral interchange fee is introduced, varied or removed in the EFTPOS system.
11. For the purposes of paragraph 9, the weighted average of multilateral interchange fees is to be expressed as the number of cents per transaction. It is to be calculated by dividing the total interchange revenue that would have been payable had the interchange fees implemented on the dates specified in paragraph 10 been applicable in the previous financial year, by the number of transactions in that year.
12. From [date] any bilateral interchange fee implemented between participants in the EFTPOS system in Australia (excluding GST) must not exceed the benchmark set out in paragraph 13 below.

### **Benchmark**

13. The benchmark will be the same as the benchmark applying to the Visa Debit system, as varied from time to time, and which is published on the Reserve Bank's website at [http://www.rba.gov.au/PaymentsSystem/LegalFramework/standards\\_access\\_regimes.html](http://www.rba.gov.au/PaymentsSystem/LegalFramework/standards_access_regimes.html)

### **Transparency**

14. EFTPOS Payments Australia must publish any multilateral interchange fees applying to EFTPOS transactions on its website or otherwise make these fees publicly available.
15. Commencing on [date], each acquirer and self-acquirer with a bilateral interchange agreement in the EFTPOS system must report to the Reserve Bank of Australia by 1 November each year the range of bilateral interchange fees it received in the previous financial year. The Reserve Bank of Australia will publish the industry range of bilateral interchange fees on its website.