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

Dear Michele

### **Submission on Proposed changes to the EFTPoS Interchange Fee Standard**

We refer to your media release dated 22 September 2009 regarding the consultation process the Bank is undertaking on the proposed changes to the EFTPoS Interchange Fee Standard and welcome the opportunity to lodge a submission on this important change.

In the first instance, we welcome the Payment System Board's (PSB) decision to defer consideration of any further reduction in interchange fees at this time. Like the PSB, we are heartened by the progress made to date in addressing the concerns expressed in its conclusions to the 2007/08 Review of the Reforms to the Payment System. Indue is committed to working with EFTPoS Payments Australia Limited (EPAL) in ensuring the concerns raised are addressed in a commercially viable way.

In terms of the changes proposed, generally, we agree that leaving in place the current disparity between the interchange fee standard for EFTPoS and that governing Visa Debit, until the PSB reaches a final decision on future regulation is unwise. In our opinion the disparity places the EFTPoS scheme at a distinct competitive disadvantage to Scheme Debit particularly, in the development of new products where interchange fees may need to be used to create an economic incentive for either the issuer or acquirer to offset the investment costs incurred in developing the product. As such, we would support the proposed changes to the EFTPoS Interchange Fee Standard.

We acknowledge that within the changes proposed to the Standard, provision exists for interchange fees to be set either bilaterally or on a multilateral basis. To the extent that interchange fees continue to be bilateral, the removal of the tightly prescribed bands for interchange fees that exist under the current standard does create the potential risk that access may be frustrated because of discriminatory pricing behaviour. We acknowledge that the PSB has considered the potential for this type of behaviour and is relying on the progress made to date in the establishment of EPAL to avert such behaviour.

We place the same trust in EPAL as the PSB however, our concern is not because we doubt the integrity or intent of EPAL; rather we believe structurally we must evolve beyond bilateral interchange fee setting. For so long as bilaterally set interchange arrangements exists, access will always be problematic. Our own experience in this area lends support to our concern. We believe that the bilateral interchange fee regime should be grandfathered out in an orderly fashion. To do otherwise will result in the EFTPoS payment system always being a difficult environment to both gain access to and make changes within.

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.

Yours faithfully



Manuel Garcia  
**Chief Executive Officer**