



GE Money

**Skander Malcolm**  
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Michele Bullock  
Head of Payments Policy Department  
Reserve Bank of Australia  
GPO Box 3947  
SYDNEY NSW 2001

Dear Ms Bullock,

GE Money welcomes the opportunity to put forward its views on the issues to be addressed by the Reserve Bank of Australia's (RBA) 2007/08 Review of the Reform of Australia's Payment System.

The RBA has sought views on three key questions:

1. **What have been the effects of the reforms to date?;**
2. **What is the case for ongoing regulation of interchange fees, access arrangements, and scheme rules, and what are the practical alternatives to the current regulatory approach?; and**
3. **If the current regulatory approach is retained what changes, if any, should be made to the standards and access regimes?**

GE Money's submission will contain limited comment on each of the key questions.

**Q1: What have been the effects of the reforms to date?**

*Interchange Fees*

There is little evidence of a lack of competitive forces operating with respect to the pricing of the components that form the interchange fee. In fact, it is arguable, that intervention distorts the operation of clear price signals, particularly where intervention is limited to one component.

*Improved Access to the Australian Payments System*

One of the objectives of the RBA reforms was to increase access to the payments system. As the only Specialist Credit Card Institution who has gone on to be an issuer, GE Money believes that to date, the reforms have had very little effect on access to the Australian payments system, certainly in the issuing space.

*Abolition of No-Surcharge Rule*

GE Money is not clear whether the outcome of this aspect of the reform has provided clear price signals to the consumer or eroded consumers' confidence in a robust payment mechanism.

**Q2: What is the case for ongoing regulation of interchange fees, access arrangements and scheme rules, and what are the practical alternatives to the current regulatory approach?**

GE Money has no specific comment on this issue, however in general supports self-regulation that is subject to reasonable oversight, rather than direct regulation.

**Q3: If the Current Regulatory Approach is retained, what changes, if any, should be made to standards and access regimes?**

If the current regulatory approach is retained, GE Money urges the RBA to look fully at all types of payments, including cash, if it is to try to promote market efficiency. After all, by definition, how can the market be improved if only certain segments are reviewed?

GE Money considers that the RBA should retain oversight of the Australian payments system, however, not through direct regulatory intervention.

We look forward to attending the conference to be held at the Melbourne Business School on 29 November 2007.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Skander', with a horizontal line underneath.

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Australia & New Zealand