



RESERVE BANK OF AUSTRALIA

Payment Systems (Regulation) Act 1998

Interchange Fees in the EFTPOS System

This notice is published in accordance with the requirements set out in Section 29(2)(a) of the *Payment Systems (Regulation) Act 1998* (the Act).

The Reserve Bank of Australia determines, in accordance with Section 18 of the Act, the Standard *Interchange Fees in the EFTPOS System* to be complied with by participants in the payment system operated within Australia known as the EFTPOS system, which was designated as a payment system on 12 June 2012 in *Designation No 1 of 2012*. The Standard will commence on 1 July 2013.

Purpose and effect of the Standard

The purpose of the Standard is to promote competition and efficiency in the Australian payments system by ensuring that interchange fees in the EFTPOS system can be set within similar regulatory constraints to the other debit card systems. The Standard requires that bilateral interchange fees and the weighted average of multilateral interchange fees in the EFTPOS system be subject to the same cap that applies to the Visa Debit system – currently 12 cent paid to the issuer.

The Standard is determined concurrently with the revocation of the previous Standard, *The Setting of Interchange Fees in the EFTPOS System*, as applied to the EFTPOS system designated in *Designation No 2 of 2004*. The practical effect is to remove the requirement under the previous Standard that bilateral interchange fees in the EFTPOS system be between 4 and 5 cents, paid to the acquirer, and to replace it with a requirement that bilateral fees not exceed the benchmark set for the Visa Debit system – currently 12 cents paid to the issuer. The weighted average of multilateral interchange fees in the EFTPOS system is also capped at the Visa Debit benchmark, as it was under the previous Standard. In addition, the Standard requires transparency of EFTPOS interchange fees and introduces a requirement for ePAL to certify annually to the Reserve Bank that it has complied with the Standard.

These changes are expected to promote competition between debit card systems in Australia and the development of a more efficient payments system.

Signed

Glenn Stevens
Governor
Reserve Bank of Australia

29 November 2012

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.

Commencement date

1. This Standard comes into force on 1 July 2013 and is current as at that date.

Application

2. This Standard is determined under Section 18 of the *Payment Systems (Regulation) Act 1998*.
3. This Standard applies to the payment system operated within Australia known as the EFTPOS system, which was designated as a payment system on 12 June 2012 and is referred to in this Standard as the EFTPOS system.
4. In this Standard:

‘Bilateral Agreement’ has the meaning given in the EFTPOS Scheme Rules and also includes any other agreement permitted under the EFTPOS Scheme Rules between two or more Members to pay or receive interchange fees that vary from those specified by the Company as payable between Members;

a ‘bilateral interchange fee’ is an interchange fee that is agreed between two or more Members under a Bilateral Agreement for payment solely between those Members in relation to EFTPOS Transactions;

‘Company’ means EFTPOS Payments Australia Limited (ABN 37 136 180 366);

‘EFTPOS Acquirer’ has the same meaning as in the EFTPOS Scheme Rules;

‘EFTPOS Interchange Activity’ has the same meaning as in the EFTPOS Scheme Rules;

‘EFTPOS Issuer’ has the same meaning as in the EFTPOS Scheme Rules;

‘EFTPOS Scheme Rules’ are the rules promulgated under the constitution of the Company and any schedule, document, specification or rule published by the Company pursuant to those rules;

‘EFTPOS Transaction’ has the same meaning as in the EFTPOS Scheme Rules but excludes credits, refunds, reversals and chargebacks;

‘financial year’ is a 12-month period ending 30 June;

an ‘interchange fee’ is a wholesale fee payable between an EFTPOS Issuer and an EFTPOS Acquirer or Self Acquirer, directly or indirectly, in relation to an EFTPOS Transaction in the EFTPOS system;

‘Member’ means a member of the Company;

a ‘multilateral interchange fee’ is an interchange fee that is determined by the Company to apply to EFTPOS Transactions between Members unless a Bilateral Agreement is in place and applies;

a ‘Self Acquirer’ has the same meaning as in the EFTPOS Scheme Rules;

terms defined in the *Payment Systems (Regulation) Act 1998* have the same meaning in this Standard.

5. The Company and each Member 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.

Interchange fee

8. For the purposes of this Standard, an interchange fee paid from an EFTPOS Acquirer to an EFTPOS Issuer is to be expressed as a positive number and an interchange fee paid from an EFTPOS Issuer to an EFTPOS Acquirer is to be expressed as a negative number.

Bilateral interchange fees

9. A bilateral interchange fee (excluding GST) that is paid on any EFTPOS Transaction in Australia must not exceed the bilateral interchange fee benchmark set out in paragraph 10 below.

Bilateral interchange fee benchmark

10. The bilateral interchange fee benchmark for the EFTPOS system at any time will be the same as the benchmark applying to the Visa Debit system at that time under the Standard *The Setting of Interchange Fees in the Visa Debit Payment System* and published on the Reserve Bank of Australia’s website.
11. The bilateral interchange fee benchmark may be re-calculated in accordance with the Standard *The Setting of Interchange Fees in the Visa Debit Payment System*.

Multilateral interchange fees

12. On each of the dates specified in paragraph 13, the weighted average of multilateral interchange fees implemented in the EFTPOS system in Australia (excluding GST) must not exceed the multilateral interchange fee benchmark set out in paragraph 15 below.
13. For the purposes of paragraph 12, the dates are:
 - (i) 1 November of every third year after 2012; and
 - (ii) the date any multilateral interchange fee is introduced, varied or removed in the EFTPOS system.
14. For the purposes of paragraph 12, the weighted average of multilateral interchange fees is to be expressed as a number of cents per EFTPOS 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 13 been applicable in the previous financial year, by the number of EFTPOS Transactions in that year.

Multilateral interchange fee benchmark

15. The multilateral interchange fee benchmark for the EFTPOS system at any time will be the same as the benchmark applying to the Visa Debit system at that time under the Standard *The Setting of Interchange Fees in the Visa Debit Payment System* and published on the Reserve Bank of Australia's website.
16. The multilateral interchange fee benchmark may be re-calculated in accordance with the Standard *The Setting of Interchange Fees in the Visa Debit Payment System*.

Transparency

17. The Company must publish any multilateral interchange fees applying to EFTPOS Transactions on its website or otherwise make these fees publicly available.
18. The Company must certify in writing to the Reserve Bank of Australia, on or before 30 November each year, that interchange fees in the EFTPOS system complied with this Standard over the prior 12 months ending 31 October.
19. Any EFTPOS Acquirer or Self Acquirer that is a party to a Bilateral Agreement must report to the Reserve Bank of Australia by 1 November each year the range of bilateral interchange fees it received or paid in the previous financial year. The Reserve Bank of Australia may publish the industry range of bilateral interchange fees on its website.