



RESERVE BANK OF AUSTRALIA

PAYMENT SYSTEMS (REGULATION) ACT 1998

EXPLANATORY STATEMENT: ACCESS REGIME FOR THE ATM SYSTEM

Background

The Reserve Bank has been working with the payments industry for a number of years to improve access arrangements for Australia's ATM system. Concerns about the existing arrangements were first raised by the Bank and the Australian Competition and Consumer Commission (ACCC) in *Debit and Credit Card Schemes in Australia: A Study of Interchange Fees and Access* (the Joint Study) in October 2000. A combination of industry effort and guidance by the Reserve Bank over a number of years resulted in a set of industry proposals for reform to the ATM system in December 2006. Those reforms take effect from 3 March 2009.

While the reform package is an industry initiative, the Reserve Bank, at the industry's request, is providing legal certainty to some elements of the reforms through the imposition of an Access Regime. Together with the ATM Access Code developed by the Australian Payments Clearing Association (APCA), the ATM Access Regime will significantly improve access arrangements to Australia's ATM system.

Purpose and Operation

The objective of the Reserve Bank's Access Regime for the ATM System is to improve competition and efficiency in the system, including through improved arrangements for new participants to gain access to the ATM system. The Access Regime will operate in conjunction with an ATM Access Code developed by APCA, which is available at www.atmaccesscode.com.au.

The Access Regime addresses two issues that are not dealt with in APCA's Access Code. The first is the price that incumbents may charge access seekers to directly participate in the ATM system. The second is the potential for interchange fees to be used as a barrier to entry to the system.

In relation to the first issue, the Access Regime has two effects. The first is to cap the access charge that can be levied for establishing a new direct connection at \$76 700 – the lowest estimated cost of implementing such a connection obtained from a survey of ATM connection costs conducted in 2008. The second effect of the Access Regime is that no charge may be levied for establishing direct clearing/settlement arrangements. The Bank views clearing and settlement as fundamental banking business and, provided financial institutions meet appropriate objective prudential standards, they should have the right to clear and settle with other financial institutions, with each institution meeting its own costs.

In relation to interchange fees, the effect of the Access Regime is that no interchange fees may be paid between participants in the ATM system, except in two sets of circumstances. The first is where the interchange fee is paid in respect of a one-way arrangement – where a card issuer pays a fee to an ATM owner to allow its customers access to those ATMs, but

reciprocal arrangements do not apply. An issuer can have only one such arrangement in place and, if it does, should not also receive a bilateral fee under a one-way arrangement. The second exception is where the interchange fee is the common fee paid between members of an ATM sub-network. An ATM sub-network is a component of the ATM system for which access is provided on a multilateral basis, rather than by bilateral negotiation, and for which there is a common, multilateral interchange fee. The Reserve Bank considers that these exceptions will benefit competition by allowing smaller institutions to provide fee-free access to a larger network of ATMs than they could provide themselves. The Access Regime also allows the Reserve Bank to exempt a participant from some or all requirements of the interchange fee provisions if considered appropriate having regard to the Bank's obligations under the *Payment Systems (Regulation) Act*.

Other important aspects of entry are covered in the industry ATM Access Code. These include providing new and existing participants with the right to establish direct connections and direct clearing/settlement arrangements with participants in the ATM system and setting a timeframe under which connections must be established.

The proposed Access Regime and related industry reforms are expected, over time, to result in a number of benefits. In particular, the reforms will: make the cost of cash withdrawals more transparent to cardholders and strengthen competitive forces on ATM fees; help ensure that there is continued widespread availability of ATMs; and make access less complicated for new entrants and therefore strengthen competition.

Both the Access Regime and the industry Access Code come into force on 3 March 2009.

Consultation

The Access Regime is the result of co-operative work between the Bank and the industry over a number of years. During this process, the Bank consulted extensively with current participants in the system and potential new entrants. A Draft Access Regime was released for comment on 10 December 2008.

The rationale for the Access Regime and the broader ATM reform package is discussed in *Access Regime for the ATM System: A Consultation Document*, published on 10 December 2008, and *An Access Regime for the ATM System*, published on 24 February 2009. The latter document also sets out in detail the consultation undertaken by the Bank. It summarises the various arguments made during the consultation process and the Bank's reasoning in coming to its final decisions.

Documents

- *Access Regime for the ATM System: A Consultation Document* is available on the Reserve Bank's website at http://www.rba.gov.au/PaymentsSystem/Reforms/ATM/ConsultDocDec2008/a_consultation_doc_122008.pdf
- *An Access Regime for the ATM System* is available on the Reserve Bank's website at http://www.rba.gov.au/PaymentsSystem/Reforms/ATM/ATMAccessRegime/atm_access_regime_0209.pdf

- All documents can be obtained by contacting the Manager, Media Office, Information Department, Reserve Bank of Australia, 65 Martin Place, Sydney NSW 2000 SYDNEY. (telephone) 02 9551 9720 or (fax) 02 9221 5528.
- The Access Code developed by APCA is available at www.atmaccesscode.com.au.

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SYDNEY

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