



RESERVE BANK OF AUSTRALIA

Payment Systems (Regulation) Act 1998

Access Regime for the designated ATM payment 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 imposes, in accordance with Section 12 of the Act, the attached Access Regime to be complied with by the participants in the designated ATM payment system.

Summary of purpose and effect of the Access Regime

The purpose of the Access Regime is to improve competition and efficiency in the ATM 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 the Australian Payments Clearing Association (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. The second effect of the Access Regime is that no charge may be levied for establishing a direct clearing/settlement service. 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 Act.

The 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.

Signed

Glenn Stevens
Governor
Reserve Bank of Australia

Date: 23 February 2009