



RESERVE BANK OF AUSTRALIA

*Payment Systems (Regulation) Act 1998*

**Variation to the Access Regime for the ATM System: Explanatory Statement**

**Background**

In 2009, the Reserve Bank put in place the *Access Regime for the ATM System* (the Access Regime) as part of a broader set of industry-led reforms to improve efficiency and competition in the ATM system. Among other elements, the Access Regime prohibits the payment of interchange fees between participants in the ATM system except in two sets of circumstances – where a common multilateral interchange fee is paid between members of an ATM sub-network, and where a fee is paid in respect of a ‘one-way arrangement’ (paragraph 11).

The Bank considered these exceptions to benefit competition by allowing smaller financial institutions to provide their cardholders with direct charge-free access to a larger network of ATMs than they would be able to provide themselves. At the same time, the Bank sought to avoid the possibility that these exceptions would lead to the redevelopment of a network of bilateral interchange fees. The Access Regime therefore prevents an issuer from putting in place more than a single one-way arrangement, and from being both a payer and receiver of interchange fees under one-way arrangements (see paragraph 12).

At the same time, the Bank recognised that it would be desirable to have some additional flexibility over the prohibition on interchange fees. The Access Regime therefore included a provision that allows the Bank to grant an exemption to the prohibition on the payment of interchange fees under paragraph 11 where it is satisfied that the exemption is appropriate, having regard to the public interest, the interest of current and potential future participants, and any other matters the Reserve Bank considers relevant. That exemption power, however, did not extend to the prohibition on a participant being both a payer and receiver of interchange fees under one-way arrangements under paragraph 12.

Following consultation, the Bank has formed the view that the original exemption power was too narrow. In particular, it has become aware of possible circumstances where an ATM market participant may be both a payer and receiver of interchange fees under one-way arrangements and where such an arrangement is consistent with the objective of the Access Regime. The current variation therefore extends the Bank’s exemption power in order for it to permit a participant to be both a payer and receiver of interchange fees under one-way arrangements.

**Purpose and Effect**

The purpose of the variation to the Access Regime is to improve efficiency and competition in the ATM system by providing the Reserve Bank with more flexibility to facilitate ATM arrangements that it considers appropriate. The Access Regime continues to set out the factors that the Bank will have regard to in deciding whether an exemption is appropriate – the public interest, the interest of current and potential future participants in the system, and any other matters that the Reserve Bank considers relevant.

The variation has the effect of extending the Reserve Bank's exemption powers under the Access Regime, thereby enabling it to facilitate ATM arrangements involving a participant that both pays and receives interchange fees in one-way arrangements. This makes the process of dealing with otherwise prohibited ATM arrangements that are consistent with the objective of the Access Regime more streamlined, compared with the alternative means of facilitating such arrangements by varying the Access Regime on a case-by-case basis.

## **Consultation**

A draft variation to the Access Regime was released for consultation on 29 May 2012; the Bank requested submissions from interested parties by 13 July 2012.

The rationale for the variation is discussed in more detail in *A Variation to the Access Regime for the ATM System: Conclusions*, which summarises the various arguments made during the consultation process and the Bank's reasoning in coming to its decision.

## **Documents**

- Reserve Bank of Australia (RBA) (2012), *A Variation to the Access Regime for the ATM System: Consultation Document*, May.  
Available at <<http://www.rba.gov.au/publications/consultations/201205-acc-reg-atm-sys-cons-doc/index.html>>.
- RBA (2012), *A Variation to the Access Regime for the ATM System: Conclusions*, August.  
Available at <<http://www.rba.gov.au/payments-system/reforms/atm/var-access-regime/index.html>>.

Reserve Bank of Australia  
SYDNEY

29 August 2012