

*Payment Systems (Regulation) Act 1998*

Explanatory Statement

variation OF STANDARD No. 2 of 2016
*THE SETTING OF INTERCHANGE FEES IN THE DESIGNATED DEBIT AND PREPAID CARD SCHEMES AND NET PAYMENTS TO ISSUERS*

# Background

In May 2016, the Reserve Bank of Australia (the **Bank**) determined a new standard, Standard No.2 of 2016 *The Setting of Interchange Fees in the Designated Debit and Prepaid Card Schemes and Net Payments to Issuers* (the **Standard**). The Standard came into force on 1 July 2017. The Standard sets a benchmark for average interchange fees in the designated debit and prepaid card systems of 8 cents per transaction and also a maximum level of any individual interchange rate of either 15 cents or 0.20 per cent.

The Standard also requires designated debit and prepaid card schemes to ensure that their weighted-average interchange rates are below the benchmark on a quarterly basis. Where the weighted average of a scheme’s interchange fees, as measured on a rolling-four-quarter basis, exceeds the benchmark, the Standard requires the scheme to reset its rates or amounts within a certain time period. Currently, this time period is 60 days.

**Variation**

In the attached instrument, the Bank is making a minor technical variation to the Standard such that the time period for a reset of rates or amounts will be 2 months and 1 day.

# Purpose and Effect

The objective of this instrument is to vary the Standard so that the requirement is for schemes whose weighted-average interchange rates exceed the benchmark to undertake a reset of their interchange rates or amounts within two months and one day, instead of within 60 days as required at present. The effect is to extend the time within which any required interchange reset must occur by between 0 and 3 days, depending on the quarter. The variation is being made to reduce some of the potential compliance costs that scheme participants may otherwise face when an interchange reset occurs.

# Consultation

Section 18(5)(b) of the *Payment Systems (Regulation) Act 1998* (the Act) provides that the Bank is not obliged to consult in accordance with section 28 of the Act where it considers the variation to be of a minor technical nature. In its November 2017 meeting, the Payments System Board considered the issue and determined that it considers the variation is of a minor technical nature. The Bank has informally raised the issue with the designated debit and prepaid card schemes subject to the Standard; all were supportive of this minor technical change.

Reserve Bank of Australia
x November 2017