



UNDERTAKING

This undertaking is made by MasterCard Asia/Pacific (Australia) Pty Ltd ('**MasterCard**') of Level 8, 100 Arthur Street, North Sydney NSW 2060, Australia, in favour of the Reserve Bank of Australia ('**Reserve Bank**') of 65 Martin Place, Sydney and dated 6 January 2014.

For the purposes of this undertaking:

- a 'Credit Card' means any Device issued under the rules of the MasterCard Credit Card Payment System that can be used for purchasing goods or services on credit;
- the 'Debit Interchange Standard' is the Standard titled *The Setting of Interchange Fees in the Visa Debit Payment System*, which originally came into force on 7 July 2006 and was varied by variation published in the *Gazette* on 10 December 2008;
- a 'Debit MasterCard card' means any Device that is issued or approved by a participant in the Debit MasterCard Card Payment System for use through a payment network to debit an asset account, or that otherwise is not a Credit Card, regardless of whether authorisation is based on signature, personal identification number (or PIN), or other means, and regardless of whether or not the issuer holds the account (such as decoupled debit), including cards commonly known as signature or offline debit cards, PIN or online debit cards.
- the 'Debit MasterCard Card Payment System' is the debit card system operated within Australia known as Debit MasterCard;
- a 'Device' means any card, plate, or other payment code or device, even where no physical card is issued and the code or device is used for only one transaction – including, without limitation, a plastic card, a mobile telephone, a fob, or any other current or future device by which a person, business, or other entity can pay for goods or services;
- the 'Honour All Cards Standard' is the Standard titled *The 'Honour All Cards' Rule in the Visa Debit and Visa Credit Card Systems and the 'No Surcharge' Rule in the Visa Debit System*, which originally came into force on 1 January 2007 and was varied by variations published in the *Gazette* on 12 June 2012 and 28 November 2012;
- the 'MasterCard Credit Card Payment System' is the MasterCard system designated by the Reserve Bank as a payment system (designation published in the *Gazette* on 12 April 2001);
- the 'Visa Debit Card Payment System' is the system designated by the Reserve Bank as a payment system (designation published in the *Gazette* on 23 February 2004); and
- the 'Visa Credit Card Payment System' is the Visa system designated by the Reserve Bank as a payment system (designation published in the *Gazette* on 12 April 2001).

In consideration of the Reserve Bank not designating the Debit MasterCard Card Payment System under the terms of the *Payment Systems (Regulation) Act 1998* ('Act') for the purposes of:

- (i) determining a standard on the setting of interchange fees in the Debit MasterCard Card Payment System in substantially the same terms as the Debit Interchange Standard (a copy of which is attached to this undertaking); and
- (ii) determining a standard on the 'honour all cards' rule in the Debit MasterCard Card Payment System and the MasterCard Credit Card Payment System and the 'no surcharge' rule in the Debit MasterCard Card Payment System, in substantially the same terms as the Honour All Cards Standard (a copy of which is also attached to this undertaking),

pursuant to the Act, MasterCard undertakes and agrees with the Reserve Bank, subject to the reservation referred to below, that:

- (1) MasterCard will voluntarily comply with paragraphs 3 to 7 (inclusive) and paragraphs 9 to 20 (inclusive) (and only those paragraphs) of the Debit Interchange Standard on the basis that references in those paragraphs to:
- (a) 'Visa Debit' are references to 'Debit MasterCard' (and where the term 'Debit MasterCard card' results, it has the meaning given above); and
- (b) 'this Standard' are references to this undertaking; and
- (2) MasterCard will voluntarily comply with paragraphs 4 to 7 (inclusive) and paragraphs 9 to 12 (inclusive) (and only those paragraphs) of the Honour All Cards Standard on the basis that references in those paragraphs to:
- (a) 'Visa Debit' are references to 'Debit MasterCard' (and where the term 'Debit MasterCard card' results, it has the meaning given above);
- (b) 'Visa credit' are references to 'MasterCard credit'; and
- (c) 'this Standard' are references to this undertaking.

This undertaking comes into force on the date of execution and will then replace the previous undertaking provided to the Reserve Bank by MasterCard which came into force, in relation to an equivalent of paragraph (1) above relating to a previous version of the Debit Interchange Standard, on 1 July 2006 and, in relation to an equivalent of paragraph (2) above relating to a previous version of the Honour All Cards Standard, on 1 January 2007.

MasterCard reserves the right to withdraw this undertaking upon giving the Reserve Bank six months' prior written notice of its intention to do so.

MasterCard acknowledges that the Reserve Bank reserves its rights to proceed with a designation of the Debit MasterCard Card Payment System under the *Payment Systems (Regulation) Act 1998* at any time should it consider this best serves the purposes of the Act.

APMEA LAW

06 JAN 2014

Signed by MasterCard Asia/Pacific (Australia) Pty Ltd

in accordance with s127 of the *Corporations Act 2001*:



Signature of Director



Signature of Director

PETER SLATER

Name of Director

ANDREW CARTWRIGHT

Name of Director

APMEA LAW

06 JAN 2014

The Setting of Interchange Fees in the Visa Debit Payment System

Objective

The objective of this Standard is to ensure that the setting of interchange fees in the designated Visa Debit payment system promotes:

(i) *efficiency; and*

(ii) *competition*

in the Australian payments system.

Application

1. This Standard is determined under Section 18 of the *Payment Systems (Regulation) Act 1998*.

2. This Standard applies to the payment system operated within Australia known as Visa Debit, which was designated as a payment system on 23 February 2004.

3. In this Standard:

an 'acquirer' is a participant in the Visa Debit system in Australia that provides services to a merchant to allow that merchant to accept a Visa Debit card;

'credit card transaction' has the same meaning as in the Standard *The Setting of Wholesale ('Interchange') Fees in the Designated Credit Card Schemes*;

'financial year' is the 12-month period ending 30 June;

an 'issuer' is a participant in the Visa Debit system in Australia that issues Visa Debit cards to its customers;

'merchant' means a merchant in Australia that accepts a Visa Debit card for payment for goods or services;

'reference year' is the financial year prior to the relevant year;

'relevant year' is the financial year in which the benchmark must be calculated;

'Visa Debit card' means a card issued by a participant in the Visa Debit payment system, under the rules of the Scheme, that allows the cardholder to make payments to merchants for goods or services by accessing a deposit account held at an authorised deposit-taking institution;

'Visa Debit card transaction' means a transaction in Australia between a Visa Debit cardholder and a merchant involving the purchase of goods or services using a Visa Debit card (net of credits, reversals and chargebacks);

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

4. This Standard refers to wholesale fees, known as 'interchange' fees, which are payable between an issuer and an acquirer, directly or indirectly, in relation to a Visa Debit card transaction.
5. Each participant in the Visa Debit system 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.
8. This Standard comes into force on the date on which it is published in the *Gazette*.

Information

9. The administrator of the Visa Debit system must provide to the Reserve Bank of Australia data on the number and value of Visa Debit card transactions in Australia in the reference year, if such data are available. In the event that such data are unavailable, the administrator must provide information on the number and value of Visa Debit card transactions in Australia that were processed by the Visa system in the reference year.

Interchange Fees

10. From 1 November 2006, on each of the dates specified in paragraph 11, the weighted average of interchange fees implemented in the Visa Debit system in Australia must not exceed the benchmark calculated in accordance with paragraphs 13 and 14 below.
11. For the purposes of paragraph 10, the dates are:
 - (i) 1 November 2006 and 1 November of each third year thereafter; and
 - (ii) the date any interchange fee is introduced, varied or removed in the Visa Debit system.
12. For the purposes of paragraph 10, the weighted average of interchange fees is to be expressed as a number of cents per 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 11 been applicable in the previous financial year, by the number of transactions in that year.

Methodology

13. The benchmark is to be calculated by the Reserve Bank of Australia using data for the reference year supplied by the credit card schemes designated by the Reserve Bank of Australia and to which the Standard *The Setting of Wholesale ('Interchange') Fees in the Designated Credit Card Schemes* applies.

14. The benchmark is to be calculated as follows:
- (a) A cost base will be calculated for each designated credit card scheme by dividing the costs of processing and authorisation described in paragraphs 13(i) and 13(iii) of the Standard *The Setting of Wholesale ('Interchange') Fees in the Designated Credit Card Schemes* in the reference year by the total value of credit card transactions in the reference year.
 - (b) A weighted average of the cost bases in the designated credit card schemes will be calculated. The weights to be used are the shares of the value of credit card transactions of each designated credit card scheme in the value of total credit card transactions in the designated credit card schemes in the reference year.
 - (c) This weighted average will be multiplied by the average value of all scheme debit transactions (both MasterCard and Visa) in the reference year, calculated using the data provided to the Reserve Bank of Australia in accordance with paragraph 9, to yield a benchmark expressed as a number of cents per transaction.
15. The Reserve Bank of Australia will calculate the benchmark by 30 September of the relevant year and publish it on its website.

Initial and subsequent benchmarks

16. For the initial benchmark the relevant financial year is 2006/07.
17. The benchmark is to be re-calculated in the financial year 2009/10 and every three years thereafter.
18. The Reserve Bank of Australia may at any time, by notification on its website, waive or suspend the requirement to re-calculate the benchmark, in which case the benchmark in force at that time will continue to apply.

Transparency

19. The administrator of the Visa Debit system must publish the interchange fees applying to Visa Debit transactions on its website.
20. The administrator of the Visa Debit system must certify in writing to the Reserve Bank of Australia, on or before 30 November each year, that interchange fees in the Visa Debit system complied with this Standard over the prior twelve months ending 31 October.

The 'Honour All Cards' Rule in the Visa Debit and Visa Credit Card Systems and the 'No Surcharge' Rule in the Visa Debit System

Objective

The objective of this Standard is to ensure that the rules of the Visa Debit system and the Visa credit card system promote:

- (i) *efficiency; and*
- (ii) *competition*

in the Australian payments system.

Amended and restated Standard

1. This Standard is an amended and restated Standard of that gazetted on 7 July 2006.

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 Visa Debit, which was designated as a payment system on 23 February 2004, and to the Visa credit card system operated within Australia which was designated as a payment system on 12 April 2001 (together referred to as the 'Scheme').
4. In this Standard:

an 'acquirer' is a participant in the Visa Debit system in Australia that provides services to a merchant to allow that merchant to accept a Visa Debit card;

'merchant' means a merchant in Australia that accepts a Visa Debit card or Visa credit card for payment for goods or services;

'merchant service fee' means a transaction-based fee charged to a merchant for acquiring Visa Debit card transactions from that merchant whether collected on an *ad valorem* or flat-fee basis, or charged as a blended rate with Visa credit cards or on an interchange plus acquirer margin basis or any other basis;

'rules of the Scheme' means the constitution, rules, by-laws, procedures and instruments of the Visa Debit system and of the Visa credit card system as applied in Australia respectively, and any other arrangement relating to the Scheme by which participants consider themselves bound;

'Visa credit card' means a card issued by a participant in Australia in the Visa credit card system, under the rules of the Scheme, that allows the cardholder to make payments to merchants for goods or services on credit, or any other

article issued under the rules of the Scheme and commonly known as a credit card;

‘Visa credit card transaction’ means a transaction in Australia between a Visa credit card holder and a merchant involving the purchase of goods or services using a Visa credit card;

‘Visa Debit card’ means a card issued by a participant in Australia in the Visa Debit system, under the rules of the Scheme, that allows the cardholder to make payments to merchants for goods or services by accessing a deposit account held at an authorised deposit-taking institution;

‘Visa Debit card transaction’ means a transaction in Australia between a Visa Debit card holder and a merchant involving the purchase of goods or services using a Visa Debit card;

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

5. Each participant in the Visa Debit system and the Visa credit card system 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.
8. This Standard originally came into force on 1 January 2007. This Standard as amended and restated comes into force on 18 March 2013.

Merchant Pricing

9. Neither the rules of the Scheme, nor any participant in the Visa Debit system, shall prohibit:
 - (i) a merchant from recovering part or all of the reasonable cost of acceptance of Visa Debit cards issued under the Scheme by the merchant charging fees or surcharges to Visa Debit card holders; or
 - (ii) a merchant, in recovering part or all of the reasonable cost of acceptance of Visa Debit cards issued under the Scheme, from applying different fees or surcharges to Visa Debit card holders for different card types either within the Scheme or across card schemes.
10. For the purposes of paragraph 9, the merchant’s cost of acceptance of Visa Debit cards issued under the Scheme may, for the purpose of determination of a fee or surcharge, be determined by reference to:
 - (i) the cost to the merchant of the Visa Debit card transaction in relation to which the fee or surcharge is to be levied;

- (ii) the average cost to the merchant of acceptance of all Visa Debit cards of all types issued under the Scheme; or
- (iii) the average cost to the merchant of acceptance of a subset of Visa Debit cards issued under the Scheme that includes the type of debit card in relation to which the fee or surcharge is to be levied,

and includes, but is not necessarily limited to, in the case of (i), the applicable merchant service fee and, in the case of (ii) and (iii), all applicable merchant service fees.

Honouring cards

11. Neither the rules of the Scheme, nor any participant in the Visa Debit system, or the Visa credit card system, may require a merchant to accept Visa Debit cards as a condition of the merchant accepting Visa credit cards. Likewise, neither the rules of the Scheme, nor any participant in the Visa Debit system or the Visa credit card system, may require a merchant to accept Visa credit cards as a condition of the merchant accepting Visa Debit cards.

Transparency

- 12.
- (i) All Visa Debit cards issued after 1 January 2007 must be visually identified as debit cards. By 31 December 2009, all Visa Debit cards on issue must be visually identified as Visa Debit cards.
 - (ii) From 1 January 2007, all Visa Debit cards issued in Australia must be issued with a Bank Identification Number (BIN) that allows them to be electronically identified as Visa Debit cards.
 - (iii) On request, acquirers must provide to merchants for which they acquire Visa Debit and credit card transactions, BINs that would permit the merchant to identify separately Visa Debit and Visa credit card transactions electronically.
 - (iv) Each acquirer must notify merchants to which it provides acquiring services of the provisions of this Standard (as amended) either before, or as soon as practicable after, this Standard (as amended) comes into force.