

UNDERTAKING NO. 1 OF 2016

THE 'HONOUR ALL CARDS' RULE IN THE DESIGNATED MASTERCARD CREDIT, DEBIT AND PREPAID SYSTEMS

1. Undertaking

This Undertaking is made by MasterCard Asia/Pacific (Australia) Pty Ltd ABN 95 108 603 345 (**MasterCard**) of Level 8, 100 Arthur Street, North Sydney NSW 2060 in favour of the Reserve Bank of Australia (**Reserve Bank**) of 65 Martin Place, Sydney NSW 2000 and dated *31 August 2016*.

2. Objective

The objective of this Undertaking is to promote:

- *efficiency; and*
- *competition*

in the Australian payments system by ensuring that Merchants choosing to accept MasterCard credit cards are not obliged by Scheme Rules to accept MasterCard debit or prepaid cards, and vice-versa.

3. Application

3.1 This Undertaking applies to:

- (a) the payment system operated within Australia known as the MasterCard system, which was designated under the Act as a payment system on 12 April 2001 and which is referred to in this Undertaking as the **MasterCard System**;
- (b) the payment system operated within Australia known as Debit MasterCard, which was designated under the Act as a payment system on 15 October 2015 and which is referred to in this Undertaking as **Debit MasterCard**; and
- (c) the payment system operated within Australia known as MasterCard Prepaid, which was designated under the Act as a payment system on 15 October 2015 and which is referred to in this Undertaking as **MasterCard Prepaid**,

each of which is referred to in this Undertaking as a **MasterCard Scheme**.

3.2 For the purposes of this Undertaking:

Act means the *Payment Systems (Regulation) Act 1998*;

Device means any card, plate or other payment code or device, including a code or device where no physical card or other embodiment is issued and a code or device used or to be used for only one transaction;

Merchant means, in relation to a MasterCard Scheme, a merchant in Australia that accepts or proposes to accept a Device of that MasterCard Scheme for payment for goods or services;

Scheme Rules, in relation to any MasterCard Scheme, means the constitution, rules, by-laws, procedures and instruments of that MasterCard Scheme, and any other arrangement relating to that MasterCard Scheme by which participants in that MasterCard Scheme are, or consider themselves to be, bound;

MasterCard Credit Card means a Device that can, under the Scheme Rules for the MasterCard System, be used in Australia for purchasing goods or services on credit (irrespective of whether the Device is issued in or outside Australia);

MasterCard Debit Card means a Device that can, under the Scheme Rules for Debit MasterCard, be used in Australia to make payments for goods or services by accessing a deposit account held at an authorised deposit-taking institution or a bank or other financial institution (irrespective of whether the Device is issued in or outside Australia);

MasterCard Prepaid Card means a Device that can, under the Scheme Rules for MasterCard Prepaid, be used in Australia to make payments for goods or services using a store of value that has been prepaid or pre-funded and is accessible to make payments for goods or services only through the use of that, or a linked or related, Device (irrespective of whether the Device is issued in or outside Australia);

including when introducing an example does not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and

terms defined in the Act have the same meaning in this Undertaking.

3.3 This Undertaking is to be interpreted:

- (a) in accordance with its objective; and
- (b) by looking beyond form to substance.

4. Rules relating to honouring cards

4.1 In consideration of the Reserve Bank not determining a standard under the Act in relation to Honour all Cards rules in the MasterCard Schemes, MasterCard undertakes that:

- (a) the Scheme Rules for the MasterCard System will not require a Merchant, as a condition of the Merchant accepting MasterCard Credit Cards, to accept MasterCard Debit Cards and/or MasterCard Prepaid Cards; and
- (b) neither the Scheme Rules for Debit MasterCard nor the Scheme Rules for MasterCard Prepaid will require a Merchant, as a condition of the Merchant accepting MasterCard Debit Cards or MasterCard Prepaid Cards, as applicable, to accept MasterCard Credit Cards.

5. Commencement

5.1 This Undertaking comes into force on 1 September 2016 (the **Commencement Date**).

5.2 On the Commencement Date this Undertaking will replace the undertaking provided by MasterCard to the Reserve Bank dated 6 January 2014 (**2014 Undertaking**) to the extent only that the 2014 Undertaking relates to compliance with paragraph 11 of the standard *The 'Honour All Cards' Rule in the Visa Debit and Visa Credit Card Systems and the 'No Surcharge' Rule in the Visa Debit System* and the provisions of paragraphs 4 to 7 inclusive of that standard as they relate to paragraph 11. To the extent that the 2014 Undertaking relates to compliance with:

- (a) paragraphs 9 and 10 and sub-paragraphs 12 (i), (ii) and (iii) of the standard *The 'Honour All Cards' Rule in the Visa Debit and Visa Credit Card Systems and the 'No Surcharge' Rule in the Visa Debit System*, and the provisions of paragraphs 4 to 7 inclusive of that standard as they relate to paragraphs 9 and 10 and sub-paragraphs 12 (i), (ii) and (iii), the 2014 Undertaking will on the Commencement Date be replaced by a new standard made under the Act; and
- (b) the standard *The Setting of Interchange Fees in Visa Debit Payment System*, the 2014 Undertaking will continue until it is replaced by a new standard made under the Act.

5.3 MasterCard reserves the right to withdraw this Undertaking by giving the Reserve Bank not less than six (6) months' (or any shorter period agreed by the Reserve Bank) prior notice of its intention to do so.

5.4 MasterCard acknowledges that the Reserve Bank reserves its rights to consult on a standard relating to Honour All Cards rules in the MasterCard Schemes under the Act at any time should it consider this best serves the purposes of the Act.

Signed by MasterCard Asia/Pacific (Australia) Pty Ltd
In accordance with s127 of the *Corporations Act 2001*



Signature of Director

ANDREW CARNWALCUT

Name of Director



Signature of Director/Secretary

Edward B. Crocker

Name of Director/Secretary