

**Banktech.07**

**Review of Payments  
System Reforms**

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# Update on the Review

- ❑ Issues paper released 29 May 07
- ❑ Submissions due 31 August 07
- ❑ Conference 29 November 07

# Update on the Studies

- ❑ Cost study
- ❑ Use study

# The Issues

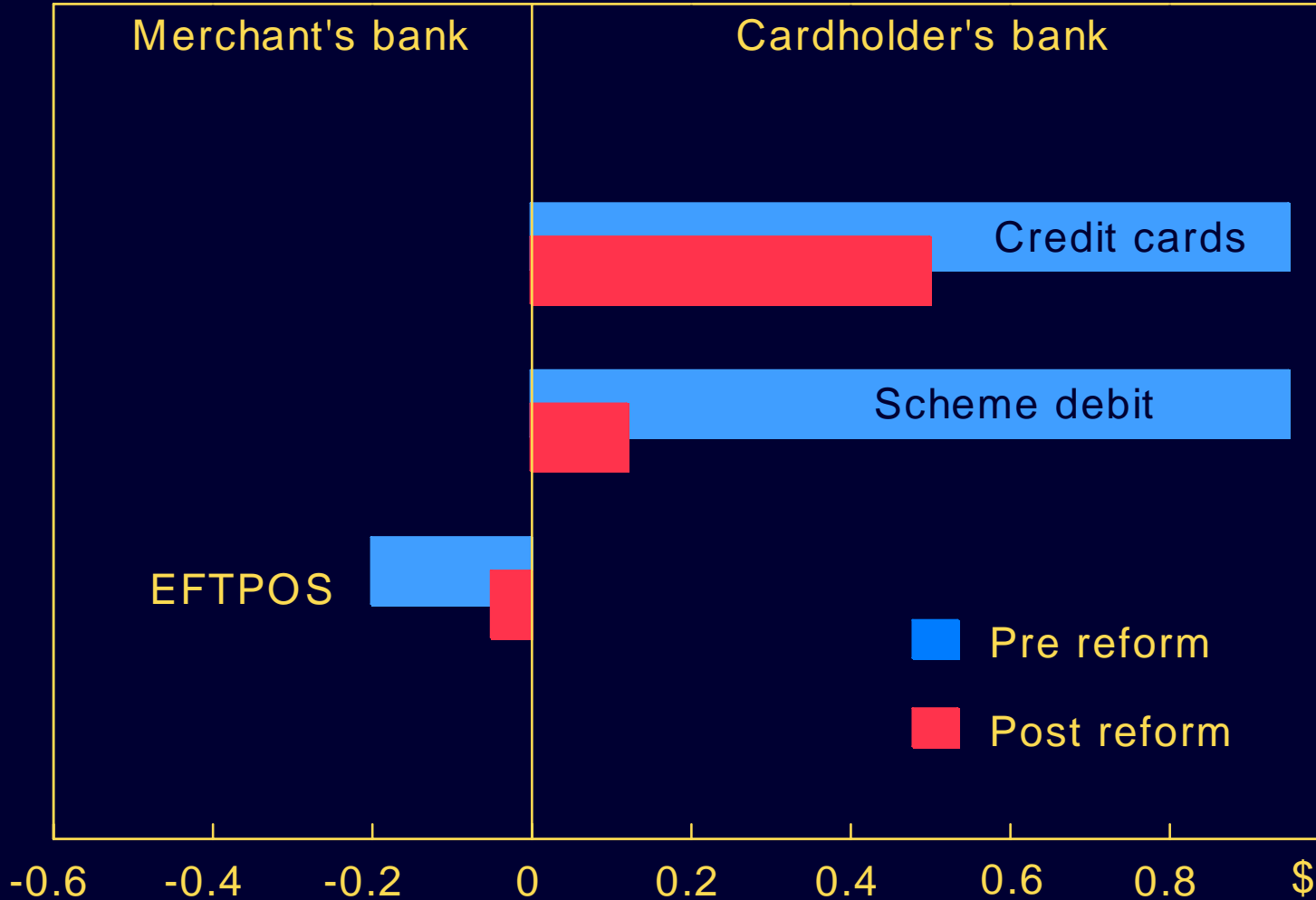
- ❑ Effects of the reforms?
- ❑ Case for ongoing regulation? Alternatives?
- ❑ Changes to current regulations?

# The Reforms

- ❑ Interchange standards

# Interchange Fees on a \$100 Payment

Exclusive of GST



# The Reforms

- Removal of restrictions
  - No-surcharge rule
  - Honour-all-cards rule
- Liberalisation of access

# Effects of the Reforms

- ❑ On product innovation
- ❑ On competition



# Product Innovation

- Does interchange regulation reduce innovation?
  - Funds for investment not available?
  - Uncertainty?
  
- Or is there no impact?

# Removal of Restrictions

- No-surcharge rule
  - Price signals
  - Merchant choices

# Merchants Surcharging Credit Cards\*

Per cent of surveyed merchants



\* Very large merchants are those with turnover greater than \$340 million, large merchants \$20 million to \$340 million, small merchants \$5 million to \$20 million and very small merchants \$1 million to \$5 million.

Source: East and Partners Pty Ltd

# Removal of Restrictions

- Honour-all-cards rule

- Scheme debit interchange fees

